

CITY OF CARROLL

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

JUNE 30, 2006

Feldmann & Company C.P.As, P.C.
523 North Main Street
Carroll, Iowa 51401

City of Carroll
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City of Carroll

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Christensen	Mayor	December 31, 2007
Peggy White	Mayor Pro Tempore	December 31, 2007
Bob Eich	Council Member - Ward 1	December 31, 2009
Peggy White	Council Member - Ward 2	December 31, 2007
Mike Eifler	Council Member - Ward 3	December 31, 2009
Carolyn Siemann	Council Member - Ward 4	December 31, 2007
Jeff Scharfenkamp	Council Member - At-Large	December 31, 2009
Tracey Wellendorf	Council Member - At-Large	December 31, 2007
Gerald Clausen	City Manager	June 30, 2006 (1)
Laura Schaefer	City Clerk, Treas. & Finance Dir.	June 30, 2006 (2)
Debra K. Goetzinger	Deputy City Clerk	June 30, 2006 (2)
Randall M. Krauel	Public Works Director	June 30, 2006 (2)
Jack Wardell	Parks and Recreation Director	June 30, 2006 (2)
James Van Dyke	City Attorney	Indefinite (1)
Jeffrey Cayler	Chief of Police	Indefinite (1)
Greg Schreck	Building/Fire Safety Official	June 30, 2006 (2)
Linda Reida	Library Director	June 30, 2006 (2)
Peggy Griffith	Library Trustee	December 31, 2006
Gary Schroeder	Library Trustee	December 31, 2006
Carol Gronstal	Library Trustee/President	December 31, 2006
Lois Neu	Library Trustee	December 31, 2007
Becky Selene	Library Trustee	December 31, 2007
Peggy Stence (County Representative)	Library Trustee	December 31, 2010
Patricia Hartley	Library Trustee	December 31, 2010
Marilyn Setzler	Library Trustee	December 31, 2010
Carol Blincow	Library Trustee/VP	December 31, 2008
Greg Siemann	Airport Commissioner	December 31, 2008
Norman Hutcheson	Airport Commissioner/Chairman	December 31, 2010
Gene Vincent	Airport Commissioner	December 31, 2011
John Knorr	Airport Commissioner	December 31, 2006
Robert Raue	Airport Commissioner	December 31, 2006

(1) Not Elected - No specific term - Employment Agreement expires on the date shown.

(2) No specific term - Salary approved to the date shown.

City of Carroll

Feldmann & Company CPAs, P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carroll, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Carroll's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carroll at June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2006, on our consideration of the City of Carroll's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carroll's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A -133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Feldmann & Company CPAs, P.C.

August 25, 2006

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Carroll 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's governmental funds' receipts increased 16.9% or approximately \$1,848,000 from fiscal year 2005 (FY 05). The increase is mainly due to the issuance of \$2,000,000 of general obligation capital loan notes to complete construction of the new fire hall, purchase of an aerial fire truck, and continuation of the Corridor of Commerce Phase 3 projects and an increase in other taxes (Local Option Sales Tax-LOST) of \$126,000. The increase was offset by a decrease in property tax revenues (\$201,000) due mainly to the release of tax increment financing (TIF) values in the Pella and Farner Bocken Urban Renewal Areas and a decrease in both operating and capital grant contributions from FY 05.
- Disbursements increased by approximately \$1,122,000, or 8.8%, from FY 05. Capital expenditures are the primary reason for this increase.
- The City's governmental funds' cash balance remains strong on June 30, 2006 despite a slight decrease of approximately \$1,028,000 or 12.8% from June 30, 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

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

The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. 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 statements by providing information about the most significant funds.

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

Supplementary Information provides detailed information about the annual budget, nonmajor governmental funds and debt obligations.

REPORTING ON THE CITY AS A WHOLE

The statement of activities and changes in cash balance presents information showing how the City's cash balance changed during the most recent fiscal year.

The City's governmental activities are displayed in the statement of activities and changes in cash balance. 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 taxes, user fees and state and federal grants finance most of these activities.

The business-type activities of the City include the water utility, the sanitary sewer utility and the storm water utility system. These activities are financed primarily by user charges.

Fund Financial Statements

The fund financial statements begin on page 17 and provide detailed information about individual, significant funds; not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to help it control and manage money for particular purposes.

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent

Fund. Governmental funds are reported on the basis of cash receipts and disbursements. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Financial records and reports are prepared on the basis of when cash is received and disbursed. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains Enterprise Funds to provide separate information for the water, sewer and storm water funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City currently does not utilize an Internal Service Fund as of June 30, 2006.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

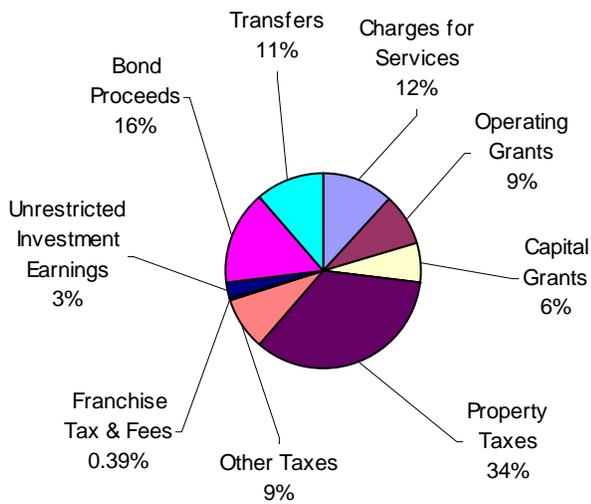
Government Activities

The City's cash balance for governmental activities decreased slightly from a year ago, decreasing from \$8.030 million to \$7.002 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

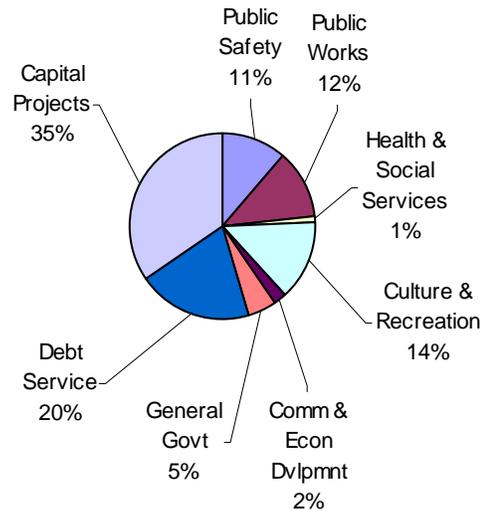
Changes in Cash Balances of Governmental Activities
(Expressed in Thousand)

	2006	2005
Receipts & Transfers:		
Program Receipts:		
Charges for Services & Sales	\$1,540	\$1,578
Operating Grants, Contributions and Restricted Interest	1,099	1,209
Capital Grants, Contributions and Restricted Interest	816	1,227
General Receipts		
Property Tax	4,388	4,589
Other Taxes (LOST)	1,104	978
Franchise Tax & Fees	50	64
Grants & Contributions not Restricted	-	-
Unrestricted Investment Earnings	345	197
Bond Proceeds	1,992	-
Other General Receipts	3	5
Transfers, net	1,454	1,096
Total Receipts and Transfers	<u>12,791</u>	<u>10,943</u>
Disbursements:		
Public Safety	1,575	1,604
Public Works	1,661	1,746
Health & Social Services	85	86
Culture & Recreation	1,994	1,997
Community & Economic Development	286	321
General Government	711	689
Debt Service	2,695	2,549
Capital Projects	4,812	3,705
Total Disbursements	<u>13,819</u>	<u>12,697</u>
Decrease in Cash Balance	(1,028)	(1,754)
Cash Balance Beginning of Year	<u>8,030</u>	<u>9,784</u>
Cash Balance End of Year	<u><u>\$7,002</u></u>	<u><u>\$8,030</u></u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased by 16.9 percent (\$1,848,000). The total cost of all programs and services increased by approximately \$1,122,000 or 8.8% with no new programs added this year. The increase in receipts is mainly due to the issuance of \$2,000,000 of capital loan notes to complete construction of the new fire hall, purchase an aerial fire truck, and continuation of the Corridor of Commerce Phase 3 projects. The increase in cost of all programs and services is due mainly to capital projects including airport runway 3/21 and access taxiway – paving and lighting, street rehabilitation, Corridor of Commerce, new fire station and police station remodeling.

The City increased the property tax rate in 2006 by approximately 0.6% which generated approximately \$301,400 more property tax revenues. Total general property tax revenues (including TIF collections) decreased by \$201,000 due mainly to the release of TIF value in the Pella and Farnar Bocken Urban Renewal Areas. The City uses 25% of LOST collections towards the debt service levy for tax relief. In FY 06, the City utilized \$252,450 of LOST towards the debt service levy.

Overall the City's governmental program receipts decreased by approximately \$559,000, principally due to a decrease in operating and capital grants. In FY 2006, the City received grants for the Fire Department to purchase fire safety educational equipment and the Main Street Bridge Project.

Business-Type Activities

Changes in Cash Balances of Business-Type Activities (Expressed in Thousand)

	2006	2005
Receipts & Transfers:		
Program Receipts:		
Charges for Services & Sales		
Water	\$1,444	\$1,332
Sewer	1,321	1,223
Storm Water	243	240
General Receipts		
Unrestricted Investment Earnings	145	94
Bond Proceeds	404	8,413
Intergovernmental	193	-
Other General Receipts	54	55
Transfers, net	(1,454)	(1,095)
Total Receipts and Transfers	2,350	10,262
Disbursements:		
Water	813	690
Sewer	3,177	8,409
Storm Water	324	11
Total Disbursements	4,314	9,110
Increase in Cash Balance	(1,964)	1,152
Cash Balance Beginning of Year	4,627	3,475
Cash Balance End of Year	\$2,663	\$4,627

The cash balance at June 30, 2006 was \$2,663,000, which is a decrease of approximately \$1,964,000. The decrease is mainly due to expending available funds for the construction of the wastewater treatment plant and the sanitary relief sewer projects that were near completion at June 30, 2006. Sewer revenue capital loan note proceeds received were \$404,000 and 8,413,000 in FY 06 and FY 05, respectively. Construction expenses paid were \$2,757,000 and \$8,046,000 in FY 06 and FY 05, respectively.

THE CITY'S INDIVIDUAL MAJOR FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

Governmental Funds.

- The City continues to maintain a very strong General Fund balance, which is approximately 39% of General Fund receipts. The General Fund balances are projected to be spent down to approximately 25% of receipts over the next few years. This fund is being used for various projects and one-time expenditures.
- The Road Use Tax Fund cash balance decreased by \$1,257,000 to \$429,460 during the fiscal year. The City intends to use this money on future street projects.
- The Debt Service cash balance increased by \$3,813 to \$42,391. A Water General Obligation Bond payment in the amount of \$308,054 is included as a part of the General Government debt of \$2,694,979. The Water General Obligation debt is paid from user fees of the Water Utility Fund. The City uses 25% of local option sales tax collections for tax relief as part of the debt service levy. In FY 06, \$252,450 of sales tax collections was used to offset the debt service levy.
- The Capital Projects Fund balance on June 30, 2006 was \$3,310,145, an increase of \$287,797 from FY05. The increase is due mainly to bond proceeds received for the completion of the fire hall, purchase of an aerial fire truck, and the continuation of the Corridor of Commerce Phase 3 projects. The increase was offset by expending resources received in FY 05 for the completion of street projects that were started in FY 05.

Proprietary Funds.

The cash balance of the Water Utility Fund increased by \$318,738 to \$1,785,378. Annual rate increases have been applied to water rates in an effort to accumulate cash reserves for future capital expenditures.

The cash balance of the Sewer Fund decreased by approximately \$1,980,600 to \$1,119,252. The primary reason for the decrease in the cash balance is due to construction expenses for a new wastewater treatment plant and sanitary relief sewer improvement projects. The City received a \$192,900 STAG Grant and \$404,000 in sewer revenue capital loan notes in FY 06.

The cash balance of the storm water utility decreased \$302,744 to (\$242,115). The fund is used to accumulate cash reserves to help maintain the storm water utility system within the City. The City is anticipating a \$200,000 Hungry Canyons Alliance Grant in FY 07 for the streambed stabilization storm

water project completed in FY 06. Future user fees will offset the remainder deficit balance.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its budget two times. The first amendment was approved on September 26, 2005 and resulted in an increase in disbursements of approximately \$3.380 million and an increase in revenues and other financing sources of approximately \$1.249 million. The amendment was primarily to account for FY 2004/2005 budget projects carried over and various other projects with capital grants, operating grants or contributions as funding sources. The second budget amendment was approved on May 8, 2006 and resulted in an increase in disbursements (including transfers) of approximately \$4.100 million and an increase in revenues and other financing sources of approximately \$2.686 million. The amendment was primarily to account for the airport Runway 3/21 and access taxiway – paving and lighting project and FAA grant for the project, streambed stabilization project, police department remodeling project, fire department FEMA grant to purchase fire safety educational equipment, Carroll Area Access Television Cable Channel 6 start-up costs and related Mediacom contribution and other interfund transfers.

DEBT ADMINISTRATION

At year-end, the City had approximately \$21,808,000 in bonds and other long-term debt compared to approximately \$21,309,000 last year as shown below.

	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$ 7,450	8,625
General Obligation Capital Loan Notes	3,770	2,090
Sewer Revenue Capital Loan Notes	<u>10,588</u>	<u>10,594</u>
Total	<u>\$ 21,808</u>	<u>21,309</u>

Debt increased as a result of issuing \$2,000,000 in General Obligation Capital Loan Notes for the construction of the fire hall, purchase of an aerial fire truck, and continuation of Corridor of Commerce Phase 3 projects. The City

received \$403,604 in sewer revenue capital loan notes for the construction of the wastewater treatment plant and sanitary relief sewer improvement projects and paid a \$410,000 principal payment in FY 06. The total amount of sewer revenue capital loan notes to be issued is projected to be \$11,000,000. As of June 30, 2006, the City anticipates to draw down \$2,000 in sewer revenue capital loan notes upon completion of the wastewater treatment plant.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property with the City's corporate limits. The City's outstanding general obligation debt of \$11,220,000 is well below the City's \$24.8 million legal debt limit. There is a rapid pay down schedule on this debt with full retirement within 10 years except for the \$11,000,000 revenue capital loan notes which have a retirement within 20 years.

More detailed information about the City's long term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's citizens and elected and appointment officials considered many factors when setting the 2007 fiscal year budget, and the associated tax rates and fees for services. One of those factors is the local economy. The regional economy is stable. New job growth has kept unemployment at a stable low rate ranging from 2.3% - 3.3% with retail sales remaining strong. The City has seen an increase in interest revenue due to an increase in short-term interest rates.

The City is continuously pursuing new revenue sources including regional, state and federal grants. The addition of the 1% local option sales tax has generated revenue of approximately \$1.1 million in FY 06 with estimates from the State of Iowa Department of Revenue to be steady at approximately \$1.1 million in the next fiscal year.

The City has budgeted the general fund in a consistent manner to previous years. The budget reflects the elimination of the bank franchise fee paid to cities as mandated by the State of Iowa. The City continues to replace smaller capital items like cars, trucks, and mowers as needed.

The Fiscal Year 2007 budget includes a slightly higher property tax levy compared to FY 2006. The State of Iowa mandated a 12% increase to all residential property valuations in Carroll County. The slight increase in property valuations and property tax levy will generate approximately 9.16% or \$357,000 more in tax revenues. This increase is mainly due to tax revenues being collected for employee benefits including state-mandated employee benefits and to service principal and interest debt payments.

City of Carroll

City of Carroll
Statement of Activities and
Net Assets- Cash Basis
Year ended June 30, 2006

Functions/Programs	Expenses	Charges for Services
Governmental Activities		
Public Safety Program	\$ 1,574,694.78	\$ 125,803.67
Public Works Program	1,660,491.10	492,140.99
Health and Social Services Program	85,225.00	35,475.00
Culture and Recreation Program	1,994,272.72	869,196.31
Community & Economic Development Program	286,154.58	1,850.00
General Government	711,013.22	15,779.31
Debt Service	2,694,979.36	-
Capital Projects	4,812,280.42	-
Total governmental activities	13,819,111.18	1,540,245.28
Business Type Activities		
Water	813,246.39	1,479,925.64
Sewer	420,469.85	1,332,141.70
Storm Water	323,971.61	244,141.75
Sewer Capital Improvements	2,756,930.00	-
Total business type activities	4,314,617.85	3,056,209.09
Total	\$ 18,133,729.03	\$ 4,596,454.37
General Receipts:		
Property Taxes levied for:		
General purpose		
Debt Service		
Local Option Sales Tax		
Franchise taxes and fees		
Grants and contributions not restricted to specific purpose		
Unrestricted investment earnings		
Bond proceeds		
Miscellaneous		
Transfers		
Total general receipts and transfers		
Changes in Cash Balance		
Cash Balance beginning of year		
Cash Balance end of year		

Exhibit A

Program Revenues		Net (Disbursements) Receipts		
Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
\$ 181,561.55	\$ -	\$ (1,267,329.56)	\$ -	\$ (1,267,329.56)
864,178.76	48,183.40	(255,987.95)	-	(255,987.95)
-	-	(49,750.00)	-	(49,750.00)
54,014.20	28,990.71	(1,042,071.50)	-	(1,042,071.50)
-	121,923.00	(162,381.58)	-	(162,381.58)
-	15,000.00	(680,233.91)	-	(680,233.91)
-	-	(2,694,979.36)	-	(2,694,979.36)
-	601,577.00	(4,210,703.42)	-	(4,210,703.42)
<u>1,099,754.51</u>	<u>815,674.11</u>	<u>(10,363,437.28)</u>	<u>-</u>	<u>(10,363,437.28)</u>
-	-	-	666,679.25	666,679.25
-	-	-	911,671.85	911,671.85
-	-	-	(79,829.86)	(79,829.86)
-	192,900.00	-	(2,564,030.00)	(2,564,030.00)
-	192,900.00	-	(1,065,508.76)	(1,065,508.76)
<u>\$ 1,099,754.51</u>	<u>\$ 1,008,574.11</u>	<u>(10,363,437.28)</u>	<u>(1,065,508.76)</u>	<u>(11,428,946.04)</u>
		4,025,723.41	-	4,025,723.41
		361,815.17	-	361,815.17
		1,104,416.08	-	1,104,416.08
		50,148.56	-	50,148.56
		-	-	-
		345,154.00	145,489.38	490,643.38
		1,992,000.00	403,603.99	2,395,603.99
		2,591.73	5,310.43	7,902.16
		1,453,529.72	(1,453,529.72)	-
		9,335,378.67	(899,125.92)	8,436,252.75
		(1,028,058.61)	(1,964,634.68)	(2,992,693.29)
		8,029,859.17	4,627,149.30	12,657,008.47
		<u>\$ 7,001,800.56</u>	<u>\$ 2,662,514.62</u>	<u>\$ 9,664,315.18</u>

City of Carroll
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
Year ended June 30, 2006

	<u>General</u>	<u>Special Revenue Road Use Tax</u>
Receipts:		
Property tax	\$ 2,766,480.20	\$ -
Other Taxes	-	-
Non-property tax		-
Use of money and property	178,353.58	-
Licenses and permits	70,828.95	-
Intergovernmental	362,605.00	845,459.74
Charges for service	1,322,151.52	-
Special assessments	5,132.00	-
Miscellaneous	145,157.26	-
Total receipts	<u>4,850,708.51</u>	<u>845,459.74</u>
Disbursements:		
Public Safety	1,559,013.89	-
Public Works	1,024,042.18	636,448.92
Health and Social Services	85,225.00	-
Culture and Recreation	1,984,546.94	-
Community & Economic Development	176,057.85	-
General Government	711,013.22	-
Debt Service	-	-
Capital Projects	-	-
Total disbursements	<u>5,539,899.08</u>	<u>636,448.92</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(689,190.57)</u>	<u>209,010.82</u>
Other financing sources (uses):		
Bond/note proceeds	-	-
Operating transfers in	882,138.32	-
Operating transfers(out)	(258,548.00)	(1,466,000.00)
Total other financing sources (uses)	<u>623,590.32</u>	<u>(1,466,000.00)</u>
Excess (deficiency)of receipts and other financing sources over disbursements and other financing uses	(65,600.25)	(1,256,989.18)
Cash balance beginning of year	1,938,739.43	1,686,450.38
Cash balance end of year	<u>\$ 1,873,139.18</u>	<u>\$ 429,461.20</u>

Exhibit B

Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
\$ 361,815.17	\$ -	\$ 1,309,391.77	\$ 4,437,687.14
-	-	1,104,416.08	1,104,416.08
-	-	-	-
-	103,444.61	82,620.77	364,418.96
-	-	-	70,828.95
-	588,050.00	9,406.49	1,805,521.23
-	-	26,720.00	1,348,871.52
-	-	-	5,132.00
-	55,869.63	7,620.08	208,646.97
<u>361,815.17</u>	<u>747,364.24</u>	<u>2,540,175.19</u>	<u>9,345,522.85</u>
-	-	15,680.89	1,574,694.78
-	-	-	1,660,491.10
-	-	-	85,225.00
-	-	9,725.78	1,994,272.72
-	-	110,096.73	286,154.58
-	-	-	711,013.22
2,694,979.36	-	-	2,694,979.36
-	4,812,280.42	-	4,812,280.42
<u>2,694,979.36</u>	<u>4,812,280.42</u>	<u>135,503.40</u>	<u>13,819,111.18</u>
<u>(2,333,164.19)</u>	<u>(4,064,916.18)</u>	<u>2,404,671.79</u>	<u>(4,473,588.33)</u>
53,941.65	1,938,058.35	-	1,992,000.00
2,283,035.22	2,414,655.00	1,243.39	5,581,071.93
-	-	(2,402,994.21)	(4,127,542.21)
<u>2,336,976.87</u>	<u>4,352,713.35</u>	<u>(2,401,750.82)</u>	<u>3,445,529.72</u>
3,812.68	287,797.17	2,920.97	(1,028,058.61)
38,578.53	3,022,347.47	1,343,743.36	8,029,859.17
<u>\$ 42,391.21</u>	<u>\$ 3,310,144.64</u>	<u>\$ 1,346,664.33</u>	<u>\$ 7,001,800.56</u>

City of Carroll
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
Year ended June 30, 2006

	Water
Receipts:	
Charges for service	\$ 1,443,960.86
Use of money and property	88,639.13
Intergovernmental	-
Miscellaneous	41,145.49
Total Receipts	1,573,745.48
Disbursements:	
Business-type activities:	
Operations	706,753.24
Capital Outlay	106,493.15
Total Disbursements	813,246.39
Excess (deficiency) of receipts over (under) disbursements	760,499.09
Other financing sources (uses):	
Bond/note proceeds	-
Operating transfers in	300,000.00
Operating transfers (out)	(741,760.76)
Total other financing sources (uses)	(441,760.76)
Excess of receipts and other financing sources over disbursements and other financing uses	318,738.33
Cash balance beginning of year	1,466,639.61
Cash balance end of year	\$ 1,785,377.94

Exhibit C

Enterprise Funds		
Sewer	Storm Water	Total
\$ 1,320,659.53	\$ 242,664.67	\$ 3,007,285.06
49,764.25	7,086.00	145,489.38
192,900.00	-	192,900.00
11,611.89	1,477.08	54,234.46
<u>1,574,935.67</u>	<u>251,227.75</u>	<u>3,399,908.90</u>
420,469.85	5,377.50	1,132,600.59
<u>2,756,930.00</u>	<u>318,594.11</u>	<u>3,182,017.26</u>
<u>3,177,399.85</u>	<u>323,971.61</u>	<u>4,314,617.85</u>
<u>(1,602,464.18)</u>	<u>(72,743.86)</u>	<u>(914,708.95)</u>
403,603.99	-	403,603.99
35,000.00	50,000.00	385,000.00
<u>(816,768.96)</u>	<u>(280,000.00)</u>	<u>(1,838,529.72)</u>
<u>(378,164.97)</u>	<u>(230,000.00)</u>	<u>(1,049,925.73)</u>
(1,980,629.15)	(302,743.86)	(1,964,634.68)
<u>3,099,881.04</u>	<u>60,628.65</u>	<u>4,627,149.30</u>
<u>\$ 1,119,251.89</u>	<u>\$ (242,115.21)</u>	<u>\$ 2,662,514.62</u>

City of Carroll

City of Carroll

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The City of Carroll is a political subdivision of the State of Iowa located in Carroll 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 human services, culture and recreation, community and economic developments, and general government services. The City also provides water, sewer and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carroll 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 that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Carroll County Assessor's Conference Board, Carroll County Solid Waste Commission, and City/County Communications Committee.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of activities and changes in cash balance) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which normally 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 support.

The statement of activities and changes in cash balance demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Tax and other items not properly included among program receipts are reported instead as general receipts.

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 other non-major governmental funds.

C. Basis of Accounting

The City of Carroll 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.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation, special assessment and tax increment financing long-term debt.

The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Additionally, the City reports the following major proprietary funds:

The Enterprise Funds are utilized to finance and account for the acquisition,

operation and maintenance of governmental facilities and services that are supported by user charges.

The Internal Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost - reimbursement basis.

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. Budgets and Budgetary Accounting

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 blended component units, internal service, non-expendable trust and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund or fund type. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program.

Note 2 - Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 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's investments are categorized to give an indication of the level of risk assumed by the City at year-end. The City's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

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) in 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.

Note 3 - Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds and Sewer		General Obligation Capital Loan Notes		Total	
	Revenue Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest
2007	1,662,000	584,141	415,000	132,146	2,077,000	716,287
2008	1,714,000	528,846	425,000	118,249	2,139,000	647,095
2009	1,517,000	470,113	440,000	103,862	1,957,000	573,975
2010	1,566,000	418,699	455,000	88,771	2,021,000	507,470
2011	1,284,000	363,470	470,000	73,098	1,754,000	436,568
2012	1,324,000	317,734	490,000	56,698	1,814,000	374,432
2013	1,048,000	268,845	400,000	39,386	1,448,000	308,231
2014	1,083,000	232,100	215,000	25,670	1,298,000	257,770
2015	534,000	205,260	225,000	17,715	759,000	222,975
2016	550,000	189,240	235,000	4,582	785,000	193,822
2017	567,000	172,740	-	-	567,000	172,740
2018	584,000	155,730	-	-	584,000	155,730
2019	601,000	138,210	-	-	601,000	138,210
2020	619,000	120,180	-	-	619,000	120,180
2021	638,000	101,610	-	-	638,000	101,610
2022	657,000	82,470	-	-	657,000	82,470
2023	677,000	62,760	-	-	677,000	62,760
2024	697,000	42,450	-	-	697,000	42,450
2025	718,000	21,540	-	-	718,000	21,540
	<u>\$ 18,040,000</u>	<u>\$ 4,476,138</u>	<u>\$ 3,770,000</u>	<u>\$ 660,177</u>	<u>\$ 21,810,000</u>	<u>\$ 5,136,315</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service fund.

The urban renewal tax increment financing bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Fund Urban Renewal Tax Increment Account and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing bonds shall be expended only for purposes that are consistent with the plans of the City’s urban renewal area. The bonds are a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

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

- a. The funds to pay principal and interest will be provided from the levied direct annual tax, except for the water treatment plant bonds that are paid with revenue generated by the water enterprise fund. If tax proceeds are insufficient to pay, the same shall be promptly paid from current funds of the City.
- b. Bonds maturing after June 1, 2002, may be called for redemption by the Issuer and paid before maturity date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in such manner as the City shall determine.

In 1995, the City issued a general obligation bond in the amount of \$600,000 for the purpose of defraying the cost of park improvements, including the Little League Complex. The interest rates range from 5.05 to 6.90% with annual principal payments of \$40,000 plus interest commenced January 1, 1996.

The City issued \$1,815,000, General Obligation Bonds, Series 1998A, on June 1, 1998, to defray the costs of street improvements. Interest rates range from 4.00 to 4.45%. Interest payments are due semiannually beginning June 1, 1999. Principal and interest payments are paid semiannually starting June 1, 2000.

On June 1, 1998, the City issued \$2,730,000 in General Obligation Bonds with an average interest rate of 4.545% to advance refund \$2,655,000 of outstanding 1992A Series bonds with an average interest rate of 5.866%. The net proceeds of \$2,673,706.91 (after payment of \$38,647.84 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1992A Series bonds callable in the year 2002. As a result, the balance of 1992A Series bonds in 2002 are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The City advance refunded the 1992A Series bonds to reduce its total debt service payments over the next 14 years by \$129,880 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$91,753.52.

On November 21, 2002, the City issued \$1,665,000 in General Obligation Bonds with an interest rate range of 2.5 to 3.45% to advance refund \$1,600,000 of outstanding 1994A Series bonds with an average interest rate of 5.66%. The net proceeds of \$1,632,562.35 (after payment of \$33,528.13 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for interest payments on the 2002B Series bonds from June 1, 2003 to June 1, 2004 and the principal amount of the 1994A Series Bonds maturing in 2005 through 2010 which are callable on June 1, 2004. As a result, the balance of 1994A Series bonds in 2005 and beyond are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The City issued \$4,500,000, General Obligation Revenue Bonds, Local Option Sales Tax, Series 2004, on May 27, 2004, to defray the costs of the corridor of commerce and

new fire station. Interest rate ranges from 2.00 to 4.00%. Interest payments are due semiannually beginning December 1, 2004. Principal and interest payments are paid semiannually starting December 1, 2005.

General Obligation, Revenue and Capital Loan Notes

On July 1, 1994, the City issued Capital Loan Note Series 1994 in the amount of \$670,000 to pay the costs of warehouse expansion at Pella Windows plant pursuant to the plans of the City's urban renewal area. Interest rate is 5.15% with interest paid semi-annually commencing the first day of December, 1994 and principal payments paid annually commencing in December 1995. The Notes are payable from the proceeds of incremental property tax of Pella Windows, paid into a fund in accordance with Chapter 403.19 of the Code of Iowa. The debt is subject to the constitutional debt limit of the City.

The City issued General Obligation Capital Loan Note Series 2002A in the amount of \$895,000 for the purchase of a new fire equipment van (\$195,000) and for improvements to the golf course (\$700,000). The interest rate is 4.10% with interest payable semiannually commencing December 1, 2002, and principal payable annually commencing June 1, 2003.

The City issued General Obligation Capital Loan Note Series 2003A in the amount of \$1,500,000 for the Bass Street Drain #77 Storm Sewer Capital Project. The interest rate is 3.240% with interest payable semiannually commencing December 1, 2003, and principal payable annually commencing June 1, 2005.

The City issued \$11,000,000, Revenue Capital Loan Notes, Series 2003, during the year ended June 30, 2006. Capital Loan Notes totaling \$8,000,000 were issued December 23, 2003, and an additional issue on June 9, 2004, of \$3,000,000. These notes will be used to defray the costs of wastewater treatment plant improvements. During the fiscal year ending June 30, 2006, \$403,603.99 was drawn down on these bonds. Total drawn down as of June 30, 2006, was \$10,998,000.00. A final draw down of \$2,000 will be done upon final completion of the waste treatment plant. Interest rate is 3.00%. Interest payments are due semiannually beginning June 1, 2004. Principal and interest payments are paid semiannually starting June 1, 2006.

On August 23, 2005 the City issued \$2,000,000, Capital Loan Notes, Series 2005. This note was used to defray the costs of the Fire station, Aerial Fire Truck and Corridor Phase III improvements. Interest rate ranges from 3.05% to 3.90%. Interest payments are due semiannually beginning December 1, 2005 and on each June 1 and December 1 thereafter. Principal and interest payments are to be paid annually starting June 1, 2007.

Note 4 - Lease Commitments

Operating Leases

The City has entered into a number of operating leases, which contain cancellation

provisions and are subject to annual appropriations by the City Council. For the year ended June 30, 2006, rent expenditures equaled \$17,070.00 for all types of leases. These expenditures were made from the General Fund.

Non-Cancelable Operating Leases

Minimum lease payments under non-cancelable operating leases are:

	<u>Non-Cancelable Operating Lease</u>
<u>Year</u>	-0-
2007	<u>17,070</u>
2008	<u>54,570</u>
Total	<u>\$ 71,640</u>

Note 5 - 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.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$115,094, \$111,117, and \$106,294 respectively, equal to the required contributions for each year.

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 28.21% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2006, 2005, and 2004 were \$167,248, \$151,745, and \$121,400, respectively, which met the required minimum contribution for each year.

Note 6 - Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and 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. Sick leave for employees other than in the Police Department is payable when used for a maximum of 180 days. Unused sick leave is not paid upon termination, retirement or death. However, in accordance with the Union agreement, upon retirement from the Police Department, the City pays a police union employee for one-fourth of all accrued sick leave over 720 hours at their current pay rate. The City's approximate liability for earned vacation, compensatory time and sick leave termination benefits payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefits</u>	<u>Liability June 30, 2006</u>
Vacation	\$ 112,589.43
Compensatory Time	52,826.12
Sick Leave	1,717.63
	<u>\$ 167,133.18*</u>

* Computed based on rates of pay as of June 30, 2006.

Note 7 - Hospital Revenue Bonds

On February 24, 1994, the City issued a total of \$2,500,000 of Hospital Revenue Bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of St. Anthony Regional Hospital, and the bond principal and interest do not constitute liabilities of the City.

Note 8 - Health Care Facility Revenue Refunding Bonds

On October 26, 1998, Health Care Facility Revenue Refunding Bonds in an aggregate principle amount not exceeding \$1,330,000 were authorized for issuance on behalf of New Hope Village for the purpose of refunding the City's Health Care Facility Revenue Bonds Series 1989 under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of New Hope Village, and the bond principal and interest do not constitute liabilities of the City.

Note 9 - Land Fill Contract

The City of Carroll has an agreement with the Carroll County Solid Waste Commission for solid waste disposal, for all households and businesses within the City. For the year ended June 30, 2006, \$123,452 was paid pursuant to the agreement.

The City entered the agreement on February 25, 1971. There is no specified termination date. The City and other municipalities in the county have representation on the commission, which sets the rates paid based upon its annual budget. The charge is assessed to each municipality and the rural areas based upon population and adjusted arbitrarily based upon the distance the municipality is from the landfill to equalize hauling

costs. The City of Carroll's share of the fees at June 30, 2006, was 47% of the total.

Note 10 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006, is as follows:

Transfer to	Transfer from	Amount		
General	Permanent Trust	Perpetual Care	\$ 11,733.53	
		Special Revenue	Emergency Spec Rev	83,728.79
	Enterprise	Employee Benefits	748,476.00	
		Water	19,300.00	
		Sewer	15,000.00	
Rec Center Trust	Permanent Trust	Permanent Rec Center Trust	1,243.39	
Debt Service	Special Revenue	U.R. Downtown	292,917.50	
		U.R. Pella	82,060.00	
		Local Option Sales Tax	832,835.00	
	Enterprise	Water	308,453.76	
		Sewer	766,768.96	
Capital Projects	General	Airport	254,648.00	
		Road Use Tax	Streets	1,466,000.00
		Storm Water	Streets	150,000.00
		Water	Streets	114,007.00
		L.O.S.T.	Fire Hall	175,000.00
	Enterprise	Storm Water	Corridor of Commerce	175,000.00
			Corridor of Commerce	80,000.00
		Enterprise	Water to Water Depr.	50,000.00
			Sewer to Sewer Depr.	35,000.00
			Water to Water Capital Improvement	250,000.00
		Storm Water to Storm Water Capital Improvement	50,000.00	

Note 11 – Risk Management

Iowa Municipalities Worker's Compensation Association

In July 1987, the City joined together with other cities and counties in the State to participate in the Iowa Municipalities Workers' Compensation Association (IMWCA), a public entity risk pool currently operating as a workers' compensation risk management and insurance program for 191 member cities and counties. Under the Workers' Compensation Coverage Agreement of the IMWCA, each participant of the IMWCA authorized the IMWCA to issue and sell bonds on behalf of the participants for the purpose of providing funds to pay claims

and the costs of issuing such bonds. The City pays an annual premium to IMWCA to pay the City's pro rata share of the principal and interest on the bonds and administrative expenses of the IMWCA. The Workers' Compensation Coverage agreement provides that IMWCA will be self-sustaining through member premiums and will annually evaluate the need to reinsure through commercial companies to protect the fund from catastrophic claims. The City's pro rata share of the IMWCA's bonds outstanding for fiscal year ending June 30, 2006, is zero as the debt has been paid in its entirety. The City's annual contributions to IMWCA for the year ended June 30, 2006, were \$68,297.00.

Iowa Communities Assurance Pool

The City of Carroll is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 361 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 official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006, were \$67,639.00.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an

individual-member basis. All property risks are also reinsured on an individual-member basis.

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, 2006, 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 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its 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 property and inland marine, boiler and airport liability. 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 Carroll

Required Supplementary Information

City of Carroll
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Actual and Budget (Cash Basis) - All Governmental Funds and Proprietary Funds
Year ended June 30, 2006

	Governmental Fund Type Actual	Proprietary Fund Actual	Less Funds not Required to be Budgeted and Adjustments
Receipts:			
Property tax	\$ 4,437,687.14	\$ -	\$ -
Other taxes	1,104,416.08	-	-
Non-property tax	-	-	-
Use of money and property	364,418.96	145,489.38	-
Licenses and permits	70,828.95	-	-
Intergovernmental	1,805,521.23	-	-
Charges for service	1,348,871.52	3,007,285.06	-
Special assessments	5,132.00	-	-
Fines & fees	-	-	-
Miscellaneous	208,646.97	54,234.46	-
Total receipts	<u>9,345,522.85</u>	<u>3,207,008.90</u>	<u>-</u>
Disbursements:			
Public Safety	1,574,694.78	-	-
Public Works	1,660,491.10	-	-
Health and Social Services	85,225.00	-	-
Culture and Recreation	1,994,272.72	-	-
Community & Economic Development	286,154.58	-	-
General Government	711,013.22	-	-
Debt Service	2,694,979.36	-	1,075,222.72
Capital Projects	4,812,280.42	-	-
Total Government Activities	<u>13,819,111.18</u>	<u>-</u>	<u>1,075,222.72</u>
Business Type Activities	-	4,314,617.85	(528,165.54)
Total disbursements	<u>13,819,111.18</u>	<u>4,314,617.85</u>	<u>1,622,279.90</u>
Excess (deficiency) of receipts over disbursements	(4,473,588.33)	(1,107,608.95)	(1,622,279.90)
Other financing sources (uses), net	3,445,529.72	(1,049,925.73)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,028,058.61)	(2,157,534.68)	(1,622,279.90)
Balance beginning of year	<u>8,029,859.17</u>	<u>4,627,149.30</u>	<u>-</u>
Balance end of year	<u>\$ 7,001,800.56</u>	<u>\$ 2,469,614.62</u>	<u>\$ (1,622,279.90)</u>

Net	Budgeted Amounts		Final to Actual	Net as % of Budget
	Original	Final	Variance Favorable (Unfavorable)	
\$ 4,437,687.14	\$ 3,776,574.00	\$ 3,776,574.00	\$ 661,113.14	118%
1,104,416.08	1,541,982.00	1,691,398.00	(586,981.92)	65%
-	-	-	-	-
509,908.34	160,214.00	160,214.00	349,694.34	318%
70,828.95	77,260.00	77,260.00	(6,431.05)	92%
1,805,521.23	1,653,432.00	4,585,247.00	(2,779,725.77)	39%
4,356,156.58	4,364,508.00	4,367,508.00	(11,351.42)	100%
5,132.00	5,100.00	5,100.00	32.00	101%
-	-	-	-	-
262,881.43	167,050.00	188,300.00	74,581.43	140%
<u>12,552,531.75</u>	<u>11,746,120.00</u>	<u>14,851,601.00</u>	<u>(2,299,069.25)</u>	85%
1,574,694.78	2,277,363.00	2,288,491.00	713,796.22	69%
1,660,491.10	1,783,294.00	1,908,980.00	248,488.90	87%
85,225.00	91,500.00	91,500.00	6,275.00	93%
1,994,272.72	2,174,039.00	2,432,789.00	438,516.28	82%
286,154.58	124,248.00	419,413.00	133,258.42	68%
711,013.22	773,627.00	814,327.00	103,313.78	87%
1,619,756.64	1,873,770.00	1,928,212.00	308,455.36	84%
4,812,280.42	7,515,605.00	9,702,329.00	4,890,048.58	50%
<u>12,743,888.46</u>	<u>16,613,446.00</u>	<u>19,586,041.00</u>	<u>6,842,152.54</u>	65%
4,842,783.39	2,337,235.00	6,068,442.00	1,225,658.61	80%
<u>17,586,671.85</u>	<u>18,950,681.00</u>	<u>25,654,483.00</u>	<u>8,067,811.15</u>	69%
(5,034,140.10)	(7,204,561.00)	(10,802,882.00)	5,768,741.90	
<u>2,395,603.99</u>	<u>2,939,000.00</u>	<u>992,942.00</u>	<u>(1,402,661.99)</u>	
(2,638,536.11)	(4,265,561.00)	(9,809,940.00)	7,171,403.89	
<u>12,657,008.47</u>	<u>10,496,141.00</u>	<u>10,496,141.00</u>		
<u>\$ 10,018,472.36</u>	<u>\$ 6,230,580.00</u>	<u>\$ 686,201.00</u>		

City of Carroll

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$6,703,802 and budgeted revenues and other financing by \$3,105,481. These budget amendments are reflected in the final budgeted amounts.

Other Supplementary Information

City of Carroll
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Employee Benefits	Industrial Park	Urban Renewal Farner- Bocken	Urban Renewal	Meadow Wood/ Newbury	LOST
Receipts:						
Property tax	\$ 777,468.39	\$ -	\$ -	\$ 436,548.09	\$ 9,931.48	\$ -
Other taxes	-	-	-	-	-	1,104,416.08
Use of money and property:						
Interest on deposits	-	1,308.39	1,202.65	25,859.12	128.25	33,359.00
Intergovernmental:						
State funding	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total receipts	777,468.39	1,308.39	1,202.65	462,407.21	10,059.73	1,137,775.08
Disbursements:						
Public Safety	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Community & Economic						
Development:	-	14,437.35	83,886.04	-	10,051.64	-
Total disbursements	-	14,437.35	83,886.04	-	10,051.64	-
Excess (deficiency) of receipts over (under) disbursements	777,468.39	(13,128.96)	(82,683.39)	462,407.21	8.09	1,137,775.08
Other financing sources (uses):						
Operating transfers in						
Operating transfers(out)	(748,476.00)	(82,060.00)	-	(292,917.50)	-	(1,182,835.00)
	(748,476.00)	(82,060.00)	-	(292,917.50)	-	(1,182,835.00)
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	28,992.39	(95,188.96)	(82,683.39)	169,489.71	8.09	(45,059.92)
Cash balance beginning of year	-	95,188.96	82,683.39	438,876.08	6.78	231,689.32
Cash balance end of year	\$ 28,992.39	\$ -	\$ -	\$ 608,365.79	\$ 14.87	\$ 186,629.40

Schedule 1

Special	Revenue				Permanent				Total
	Police Pension	IHA Senior Housing TIF	Emergency Special Revenue	Recreation Center Trust	Police Forfeiture/ Crime Prevention	Library Trust	Cemetery Perpetual Care	Rec Center Trust	
\$ -	\$ 1,715.02	\$ 83,728.79	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,309,391.77
-	-	-	-	-	-	-	-	-	1,104,416.08
2,677.20	7.86	-	368.42	2,408.70	2,324.26	11,733.53	1,243.39	82,620.77	
-	-	-	-	1,650.00	7,756.49	-	-	9,406.49	
-	-	-	-	11,220.00	-	15,500.00	-	26,720.00	
-	-	-	4,384.51	2,233.15	1,002.42	-	-	7,620.08	
2,677.20	1,722.88	83,728.79	4,752.93	17,511.85	11,083.17	27,233.53	1,243.39	2,540,175.19	
-	-	-	-	15,680.89	-	-	-	15,680.89	
-	-	-	1,970.78	-	7,755.00	-	-	9,725.78	
-	1,721.70	-	-	-	-	-	-	110,096.73	
-	1,721.70	-	1,970.78	15,680.89	7,755.00	-	-	135,503.40	
2,677.20	1.18	83,728.79	2,782.15	1,830.96	3,328.17	27,233.53	1,243.39	2,404,671.79	
-	-	-	1,243.39	-	-	-	-	1,243.39	
-	-	(83,728.79)	-	-	-	(11,733.53)	(1,243.39)	(2,402,994.21)	
-	-	(83,728.79)	1,243.39	-	-	(11,733.53)	(1,243.39)	(2,401,750.82)	
2,677.20	1.18	-	4,025.54	1,830.96	3,328.17	15,500.00	-	2,920.97	
65,009.29	0.40	-	8,341.55	59,943.52	53,257.34	278,432.48	30,314.25	1,343,743.36	
\$ 67,686.49	\$ 1.58	\$ -	\$ 12,367.09	\$ 61,774.48	\$ 56,585.51	\$ 293,932.48	\$ 30,314.25	\$ 1,346,664.33	

**City of Carroll
Schedule of Indebtedness
Year ended June 30, 2006**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Park Improvement	1/1/1995	5.05-6.90%	\$ 600,000.00
G. O. Refunding Bonds 2002B	11/21/2002	3.00-3.45%	1,665,000.00
Street Improvements 1998A	6/1/1998	4.00-4.45%	1,815,000.00
G. O. Refunding Bonds 1998B	6/1/1998	4.15-4.65%	2,730,000.00
LOST GO Bonds	5/24/2004	2.00-4.00%	4,500,000.00
Revenue Bonds			
Sewer Revenue Bonds	6/9/2004	3%	11,000,000.00
General Obligation/Capital Loan Notes:			
Capital Loan Note Series 1994 Pella Warehouse Expansion (TIF)	7/1/1994	5.15%	670,000.00
Capital Loan Note Series 2002A Fire Department & Golf Course	3/26/2002 *	4.10%	895,000.00
Capital Loan Note Series 2003A Bass Street Storm Sewer	5/26/2003	3.24%	1,500,000.00
Capital Loan Note Series 2005 \$2M GO Cap Loan	8/23/2005	3.05-3.90%	<u>2,000,000.00</u>
Grand Total			<u><u>\$ 27,375,000.00</u></u>

* \$700,000 Golf Course Improvements, \$195,000 Fire Equipment Van

**Final draw down of \$2,000 will be done upon completion of waste water treatment plant construction

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 200,000.00	\$ -	\$ 40,000.00	\$ 160,000.00	\$ 13,400.00	\$ -
1,405,000.00		265,000.00	1,140,000.00	43,053.76	-
685,000.00	-	215,000.00	470,000.00	30,152.50	-
1,835,000.00	-	210,000.00	1,625,000.00	82,517.50	-
4,500,000.00		445,000.00	4,055,000.00	134,985.00	
10,594,396.01	403,603.99 **	410,000.00	10,588,000.00	329,268.99	
..					
80,000.00	-	80,000.00	-	2,060.00	-
660,000.00	-	85,000.00	575,000.00	27,060.00	-
1,350,000.00		155,000.00	1,195,000.00	43,740.00	-
-	2,000,000.00	-	2,000,000.00	53,941.64	-
\$ 21,309,396.01	\$ 2,403,603.99	\$ 1,905,000.00	\$ 21,808,000.00	\$ 760,179.39	\$ -

See accompanying independent auditor's report.

**City of Carroll
Bond and Note Maturities
June 30, 2006**

General Obligation Bonds

Series 2002B, Water Treatment Refunding Issued November 21, 2002			Series 2004 Local Option Sales Tax Bond Issued May 27, 2004		Park Improvements Bond Issued January 1, 1995	
Year Ending June 30,	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2007	3.00%	275,000	2.25%	460,000	6.60%	40,000
2008	3.00%	285,000	2.60%	470,000	6.70%	40,000
2009	3.20%	285,000	2.80%	485,000	6.80%	40,000
2010	3.45%	295,000	3.10%	495,000	6.90%	40,000
2011		-	3.30%	510,000		-
2012		-	3.60%	525,000		-
2013		-	3.80%	545,000		-
2014		-	4.00%	565,000		-
2015		-		-		-
2016		-		-		-
2017		-		-		-
2018		-		-		-
2019		-		-		-
2020		-		-		-
2021		-		-		-
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
		<u>\$ 1,140,000</u>		<u>\$ 4,055,000</u>		<u>\$ 160,000</u>

General Obligation Notes

Capital Loan Note 2005 \$2M GO 2005 August 23, 2005			Capital Loan 2002A Fire Department & Golf Course March 26, 2003		Series 2003A Bass Street #77 Storm Sewer Bond June 9, 2003	
Year Ended June 30,	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2007	2.70%	170,000	4.10%	90,000	3.24%	155,000
2008	2.70%	175,000	4.10%	90,000	3.24%	160,000
2009	2.70%	180,000	4.10%	95,000	3.24%	165,000
2010	2.70%	190,000	4.10%	95,000	3.24%	170,000
2011	2.70%	195,000	4.10%	100,000	3.24%	175,000
2012	2.70%	205,000	4.10%	105,000	3.24%	180,000
2013	2.70%	210,000			3.24%	190,000
2014	2.70%	215,000				
2015	2.70%	225,000				
2016	2.70%	235,000				
		<u>\$ 2,000,000</u>		<u>\$ 575,000</u>		<u>\$ 1,195,000</u>

* \$2,000 not issued as of June 30, 2006

Schedule 3

Series 1998B		Series 1998A		Revenue Bonds		Total General Obligation & Sewer Revenue Bonds
Urban Renewal Advanced Refunding Issued June 1, 1998		Street Improvements Bond Issued June 1, 1998		Series 2003 WWTP Improvements Revenue Bond Issued June 9, 2004		
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
4.40%	235,000	4.40%	230,000	3.00%	422,000	1,662,000
4.45%	245,000	4.45%	240,000	3.00%	434,000	1,714,000
4.50%	260,000	-	-	3.00%	447,000	1,517,000
4.50%	275,000	-	-	3.00%	461,000	1,566,000
4.55%	300,000	-	-	3.00%	474,000	1,284,000
4.65%	310,000	-	-	3.00%	489,000	1,324,000
-	-	-	-	3.00%	503,000	1,048,000
-	-	-	-	3.00%	518,000	1,083,000
-	-	-	-	3.00%	534,000	534,000
-	-	-	-	3.00%	550,000	550,000
-	-	-	-	3.00%	567,000	567,000
-	-	-	-	3.00%	584,000	584,000
-	-	-	-	3.00%	601,000	601,000
-	-	-	-	3.00%	619,000	619,000
-	-	-	-	3.00%	638,000	638,000
-	-	-	-	3.00%	657,000	657,000
-	-	-	-	3.00%	677,000	677,000
-	-	-	-	3.00%	697,000	697,000
-	-	-	-	3.00%	718,000	718,000
	<u>\$ 1,625,000</u>		<u>\$ 470,000</u>		<u>\$ 10,590,000</u>	<u>\$ 18,040,000</u>

Total General Obligation Notes
415,000
425,000
440,000
455,000
470,000
490,000
400,000
215,000
225,000
235,000
<u>\$ 3,770,000</u>

City of Carroll
Schedule of Cash Receipts, Disbursements
and Change in Cash Balances
Capital Projects Funds
Year Ended June 30, 2006

	Street Rehabilitation	Urban Renewal	Fire Hall /PD Remodel
Receipts:			
Use of money and property:			
Interest on investments	\$ 822.62	\$ 2,776.42	\$ 75,201.54
Intergovernmental:			
TEA-21 Grant/SA RISE	588,050.00	-	-
Miscellaneous:			
Refunds, settlements & donations	-	-	13,022.00
Total receipts	588,872.62	2,776.42	88,223.54
Disbursements:			
Debt Service	-	-	-
Capital outlay	1,316,692.84	-	1,920,136.50
	<u>1,316,692.84</u>	<u>-</u>	<u>1,920,136.50</u>
Total disbursements	1,316,692.84	-	1,920,136.50
Deficiency of receipts under disbursements	(727,820.22)	2,776.42	(1,831,912.96)
Other financing sources (uses):			
General Obligation debt proceeds	-	-	808,129.93
Transfers In (Out):			
From General Fund & others	1,730,007.00	-	175,000.00
	<u>1,730,007.00</u>	<u>-</u>	<u>983,129.93</u>
Excess (deficiency) of receipts and other financing sources (uses) over disbursements	1,002,186.78	2,776.42	(848,783.03)
Balance beginning of year	<u>161,878.42</u>	<u>67,692.02</u>	<u>2,198,176.34</u>
Balance end of year	<u>\$ 1,164,065.20</u>	<u>\$ 70,468.44</u>	<u>\$ 1,349,393.31</u>

Schedule 4

Corridor of Commerce	Airport	Parks & Recreation	Veterans Memorial Park	Total
\$ 23,042.10	\$ 39.14	\$ 87.02	\$ 1,475.77	\$ 103,444.61
-	-	-	-	588,050.00
-				
505.00	13,351.92	28,990.71	-	55,869.63
<u>23,547.10</u>	<u>13,391.06</u>	<u>29,077.73</u>	<u>1,475.77</u>	<u>747,364.24</u>
				-
1,471,482.16	98,349.82	5,325.38	293.72	4,812,280.42
<u>1,471,482.16</u>	<u>98,349.82</u>	<u>5,325.38</u>	<u>293.72</u>	<u>4,812,280.42</u>
1,471,482.16	98,349.82	5,325.38	293.72	4,812,280.42
<u>(1,447,935.06)</u>	<u>(84,958.76)</u>	<u>23,752.35</u>	<u>1,182.05</u>	<u>(4,064,916.18)</u>
1,129,928.42	-	-	-	1,938,058.35
-				-
255,000.00	254,648.00	-	-	2,414,655.00
<u>1,384,928.42</u>	<u>254,648.00</u>	<u>-</u>	<u>-</u>	<u>4,352,713.35</u>
(63,006.64)	169,689.24	23,752.35	1,182.05	287,797.17
558,397.65	-	-	36,203.04	3,022,347.47
<u>\$ 495,391.01</u>	<u>\$ 169,689.24</u>	<u>\$ 23,752.35</u>	<u>\$ 37,385.09</u>	<u>\$ 3,310,144.64</u>

Schedule 5

City of Carroll
Schedule of Receipts by Source and
Disbursements by Function
All Governmental Fund Types
Year Ended June 30, 2006

	For the Last Three Years		
	2006	2005	2004
Receipts:			
Property tax	\$ 4,437,687.14	\$ 4,639,458.21	\$ 4,650,944.71
Other Taxes	1,104,416.08	978,376.71	266,799.60
Non-property tax	-	-	49,555.39
Use of money and property	364,418.96	223,639.40	147,702.80
Licenses and permits	70,828.95	73,412.35	96,220.89
Intergovernmental	1,805,521.23	2,404,015.68	1,425,042.18
Charges for Services	1,348,871.52	1,340,219.64	1,302,756.29
Special assessments	5,132.00	5,132.00	25,208.00
Fines and fees	-	-	-
Miscellaneous	208,646.97	182,929.12	161,104.97
Total receipts	<u>9,345,522.85</u>	<u>9,847,183.11</u>	<u>8,125,334.83</u>
Disbursements:			
Public Safety Program	1,574,694.78	1,604,447.62	1,426,449.32
Public Works Program	1,660,491.10	1,746,035.69	1,789,430.89
Health and Social Services Program	85,225.00	85,728.00	77,522.50
Culture and Recreation Program	1,994,272.72	1,996,958.64	2,081,474.53
Community & Economic Development Program	286,154.58	321,550.43	326,568.31
General Government	711,013.22	688,772.58	645,020.99
Debt Service	2,694,979.36	2,548,676.21	1,635,973.61
Capital Projects	4,812,280.42	3,704,944.29	1,762,406.77
Total disbursements	<u>13,819,111.18</u>	<u>12,697,113.46</u>	<u>9,744,846.92</u>
Excess (deficiency) of receipts over (under) disbursements	(4,473,588.33)	(2,849,930.35)	(1,619,512.09)
Other financing sources, net	3,445,529.72	1,095,365.54	4,936,875.11
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(1,028,058.61)	(1,754,564.81)	3,317,363.02
Balance beginning of year	<u>8,029,859.17</u>	<u>9,784,423.98</u>	<u>6,467,060.96</u>
Balance end of year	<u>\$ 7,001,800.56</u>	<u>\$ 8,029,859.17</u>	<u>\$ 9,784,423.98</u>

City of Carroll
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Disburse- ments
Direct:			
Federal Aviation Administration			
FAA Runway 3/21 Grading	20.106	3-19-0011-06-2004	\$ 2,375.00
FAA Runway Paving & Lighting	20.106	3-19-0011-05-2005	81,291.60
			<u>83,666.60</u>
Environmental Protection Agency			
Survey, Studies, Investigations and Special Purpose Grants	66.606	XP987XXX-01	192,900.00
Federal Emergency Management			
Assistance to Firefighter's Grant	83.554	EMW-2003-FG-11700	11,128.00
Hungry Canyons Grant			
Assistance to Streambed Stabilization	10.902	EMW-2003-FG-11700	200,000.00
Indirect:			
Iowa Department of Economic Development			
Federal Housing Assistance Grants HOME Investment Partnership	14.228	02-HSG-074	121,923.00
Iowa Department of Transportation			
STP Grant	20.205	STP-E-1125(1125)606--8V14	10,399.00
STP Grant	20.205	STP-ES-1125(1125)608--8I-14	216.30
STP Grant	20.205	STP-U-1125(1125)609--7O-14	36,761.60
STP Grant	20.205	STP-U-1125(1125)610--7O-14	775,943.70
			<u>823,320.60</u>
Iowa Department of Natural Resources			
State Revolving Fund	66.458	CS19214601	405,603.99
Total Federal Expenditures			<u>\$ 1,838,542.19</u>

Basis of Presentation - The schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Carroll and is presented in conformity with another comprehensive basis of accounting. The information on 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.

City of Carroll

Feldmann & Company C.P.As, P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carroll, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 25, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carroll's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carroll'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 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 that 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, 2006 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. Prior year statutory comments have been resolved except for items IV-J-06.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carroll 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.



Feldmann & Company CPAs, P.C.
August 25, 2006

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Feldmann & Company CPAs, P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Carroll, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. The City of Carroll's major federal program is identified in the summary section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Carroll's management. Our responsibility is to express an opinion on the City of Carroll's compliance based on our audit.

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

In our opinion, the City of Carroll, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Carroll is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Carroll's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulation, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Feldmann & Company CPAs, P.C.

Feldmann & Company CPAs, P.C.
August 25, 2006

City of Carroll
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

I. Summary of Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements, which were prepared on the basis of cash receipts, and disbursements, which are a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were not disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) Reportable conditions in internal control over the major program were not disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings, which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA number 66.458 – Grant for Clean Water State Revolving Funds, CFDA number 20.205 – Federal-Aid Surface Transportation Program (Middle Raccoon River Bridge).
- (h) The dollar Threshold used to distinguish between Type A and Type B programs was \$300,000.00.
- (i) The City of Carroll did not qualify as a low-risk auditee.

II. Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Reportable Conditions:

No matters were noted.

City of Carroll
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

III. Findings and Questioned Costs For Federal Awards:

N/A

IV. Other Findings Related to Statutory Reporting:

- IV-A-06 Official Depositories - A resolution naming official depositories has been approved by the Council. The maximum deposit amounts stated in the resolution was not exceeded during the year ended June 30, 2006.
- IV-B-06 Certified Budget - Disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted per Chapter 384.20 of the Code of Iowa which states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- IV-C-06 Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-06 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-E-06 Business Transactions – There were no business transactions between the City and City officials or employees during the year ended June 30, 2006.
- IV-F-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-G-06 Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-H-06 Deposits and Investments - We noted no instances of noncompliance with the investment provisions of Chapter 12B & 12C of the Code of Iowa and the City's investment policy.
- IV-I-06 Revenue Bonds and Notes – We noted no instances of non-compliance with the terms of the City's revenue bond/note provisions.

City of Carroll
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

IV-J-06 Excess Balance – The balance in the Urban Renewal Downtown Special Revenue Fund at June 30, 2006, was in excess of the Urban Renewal Downtown Special Revenue Fund disbursements for the year. The Police Pension and Capital Projects- Fire Hall/PD Remodel, Airport, Parks & Recreation, and Veterans Memorial Park fund also had excess fund balances.

Recommendation – The City should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response – The Police Pension and Capital Projects- Fire Hall/PD Remodel, Airport, Parks & Recreation, and Veterans Memorial Park Fund are carrying a balance in anticipation of future improvement projects. The Urban Renewal Special Revenue – Downtown fund has a balance in excess of annual disbursements as the City is anticipating early retirement of bonds. The Police Pension Fund has an excess balance to cover retirement needs.

Conclusion – Response accepted.

IV-K-06 Financial Condition – We observed funds with deficit ending balances at the June 30, 2006, fiscal year end: the Storm Water Capital Improvement Fund and Sewer Capital Improvement Fund.

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

Response – The deficits arose due to construction costs incurred. The Sewer Capital Improvement Fund will return to sound financial position upon transfer from the Sewer Utility Debt Service Reserve Fund. The Storm Sewer Capital Improvement Fund will return to sound financial position after receipt of grant monies and with anticipated future revenue from customers.

Conclusion – Response accepted.