

# **City of Oskaloosa, Iowa**

Primary Government

Financial and Compliance Report

Year Ended June 30, 2006

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City of Oskaloosa, Iowa

City Officials

June 30, 2006

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**LEGISLATIVE**

Name	Position	Term Expiration January
David Dixon	Mayor	2008
Pamela Blomgren	Council Member	2008
Eric Palmer	Council Member	2008
Michael Stout	Council Member	2008
Jimmy Carter	Council Member	2010
Janet VanDerBeek	Council Member	2010
Aaron Ver Steeg	Council Member	2010
Wesley Wills	Council Member	2010

**City Departmental Staff**

Donald Sandor, City Manager  
Marilyn Miller, City Clerk - Finance Director  
Randy DeGeest, City Attorney  
Vacancy, City Engineer  
David Neubert, Public Works Director  
Randy Irwin, Community Development Director  
Francis Glandon, Fire Chief  
John McGee, Police Chief  
Suzann Holland, Library Director

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Oskaloosa, Iowa  
Oskaloosa, Iowa

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 accounting principles generally accepted in the United States of America.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oskaloosa, Iowa, as of June 30, 2006 and the respective changes in financial position – cash basis thereof for the year ended June 30, 2006 in conformity with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of component units of the City of Oskaloosa, Iowa, do not purport to, and do not present fairly, respective cash basis financial position and respective changes in cash basis financial position of the City of Oskaloosa, Iowa, as of June 30, 2006, 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 9, 2006 on our consideration of the City of Oskaloosa, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 11 and the budgetary comparison information on pages 37 through 39 are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the primary government financial statements. The combining and individual nonmajor fund financial statements and other schedules and information, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the primary government financial statements. The accompanying schedule of disbursements of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

The information identified in the table of contents as miscellaneous statistical data is presented for purposes of additional analysis and is not a required part of the primary government financial statements. This information has not been subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we express no opinion on it.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
August 9, 2006

## City of Oskaloosa, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

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It is an honor to present to you the financial activities of the City of Oskaloosa, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Oskaloosa, Iowa for the fiscal year ended June 30, 2006.

#### FINANCIAL HIGHLIGHTS

The cash and investments of the City of Oskaloosa at the close of the most recent fiscal year are \$6,789,906 compared to \$7,003,033 as of June 30, 2005.

The government's total cash and investments decreased by \$213,127.

The City of Oskaloosa, Iowa's total long-term debt, excluding compensated absences, decreased by approximately \$844,000 during fiscal year ended June 30, 2006.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City of Oskaloosa, Iowa's financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

**Government-wide financial statements** – The government-wide financial statement is designed to provide readers with a broad overview of the City of Oskaloosa, Iowa's finances. The statement of activities and changes in cash and investment balances presents information showing how the City's cash and investment balance changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the City of Oskaloosa that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Oskaloosa, Iowa include general government, public safety, public works, culture and recreation, community and economic development, capital projects and debt service. The business-type activities of the City of Oskaloosa include the sanitary sewer, airport, Edmundson Golf Course, stormwater and RACI Main Street loans.

The government-wide financial statements include only the primary government of the City of Oskaloosa, Iowa.

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

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. Governmental fund information determines whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

## City of Oskaloosa, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

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The City of Oskaloosa, Iowa maintains 34 individual governmental funds. Information is presented separately in the statement of cash receipts, cash disbursements and changes in cash and investment balances for each major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds** – The City of Oskaloosa, Iowa maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The City of Oskaloosa maintains five enterprise funds. The proprietary fund financial statements provide separate information for the Sanitary Sewer Fund, as this fund is considered to be a major fund of the City of Oskaloosa, Iowa. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate internally among the City's various functions. The City maintains two internal service funds.

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

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the notes to financial statements.

#### 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 accounting principles generally accepted in the United States of America (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Table 1 highlights the City's receipts and disbursements for the fiscal years ended June 30, 2006 and 2005.

Receipts are further divided into two major components: program receipts and general receipts. Program receipts are defined as charges for services and sales, operating and capital grants and contributions. General receipts include taxes and other unrestricted revenue sources.

The City's cash balance for governmental activities decreased from a year ago from \$5.8 million to \$4.9 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

The City's total receipts for governmental activities decreased by 16.7 percent or \$1,664,550. The total disbursements of all programs and services increased by approximately \$942,845 or 11.3 percent with no new programs added this year. The significant decrease in receipts and increase in disbursements was primarily the result of bond proceeds that were issued in the prior year for current year capital projects.

City of Oskaloosa, Iowa

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances

	Governmental Activities 2006	Business-Type Activities 2006	Total 2006
<b>Receipts:</b>			
Program receipts:			
Charges for services	\$ 549,642	\$ 1,683,368	\$ 2,233,010
Operating grants and contributions	833,147	291,208	1,124,355
Capital grants and contributions	-	948,329	948,329
General receipts:			
Property tax	3,953,084	-	3,953,084
Other tax	2,555,138	-	2,555,138
Investment earnings	214,940	237,627	452,567
Other	217,225	88,397	305,622
<b>Total receipts</b>	<b>8,323,176</b>	<b>3,248,929</b>	<b>11,572,105</b>
<b>Disbursements:</b>			
Public safety	2,187,221	-	2,187,221
Public works	912,793	-	912,793
Culture and recreation	900,014	-	900,014
Community and economic development	1,584,566	-	1,584,566
General government	544,257	-	544,257
Debt service	1,651,904	-	1,651,904
Capital projects	1,499,891	-	1,499,891
Sewer	-	1,870,225	1,870,225
Airport	-	380,242	380,242
Edmundson Golf Course	-	240,525	240,525
Stormwater	-	11,956	11,956
RACI Main Street loans	-	1,638	1,638
<b>Total disbursements</b>	<b>9,280,646</b>	<b>2,504,586</b>	<b>11,785,232</b>
<b>Increase (decrease) in cash and investments before transfers</b>	<b>(957,470)</b>	<b>744,343</b>	<b>(213,127)</b>
Transfers	1,323	(1,323)	-
<b>Increase (decrease) in cash and investments</b>	<b>(956,147)</b>	<b>743,020</b>	<b>(213,127)</b>
Cash and investments, beginning	5,840,994	1,162,039	7,003,033
Cash and investments, ending	\$ 4,884,847	\$ 1,905,059	\$ 6,789,906

**City of Oskaloosa, Iowa**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

Table 1 (Continued) - City of Oskaloosa's Changes in Cash and Investment Balances

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
<b>Receipts:</b>			
Program receipts:			
Charges for services	\$ 376,535	\$ 1,684,391	\$ 2,060,926
Operating grants and contributions	782,117	34,060	816,177
Capital grants and contributions	-	485,013	485,013
General receipts:			
Property taxes	3,635,079	-	3,635,079
Other taxes	2,651,882	-	2,651,882
Investment earnings	121,418	191,961	313,379
Other	2,420,695	16,352	2,437,047
<b>Total receipts</b>	<b>9,987,726</b>	<b>2,411,777</b>	<b>12,399,503</b>
<b>Disbursements:</b>			
Public safety	2,002,876	-	2,002,876
Public works	937,368	-	937,368
Culture and recreation	720,046	-	720,046
Community and economic development	1,506,817	-	1,506,817
General government	543,002	-	543,002
Debt service	1,666,809	-	1,666,809
Capital projects	960,883	-	960,883
Sewer	-	2,897,221	2,897,221
Airport	-	135,952	135,952
Edmundson Golf Course	-	246,839	246,839
RACI Main Street	-	-	-
<b>Total disbursements</b>	<b>8,337,801</b>	<b>3,280,012</b>	<b>11,617,813</b>
<b>Increase (decrease) in cash and investments before transfers</b>	<b>1,649,925</b>	<b>(868,235)</b>	<b>781,690</b>
Transfers	759	(759)	-
<b>Increase (decrease) in cash and investments</b>	<b>1,650,684</b>	<b>(868,994)</b>	<b>781,690</b>
Cash and investments, beginning	4,190,310	2,031,033	6,221,343
Cash and investments, ending	<b>\$ 5,840,994</b>	<b>\$ 1,162,039</b>	<b>\$ 7,003,033</b>

**City of Oskaloosa, Iowa**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

The City increased the total property tax rates in 2006 by 4.71 percent to help offset increases in employee salaries, employee benefits and debt payment costs. The City's tax receipts from the tax levy increased by approximately \$318,000 in 2006. The increase is due to an increase in the total property tax levy from a decline in property values.

The City increased the total property tax rates in 2005 by 5.85 percent to help offset increases in employee salaries, employee benefits and debt payment costs. The City's tax receipts from the tax levy increased by approximately \$97,000 in 2005. The increase is due to an increase in the total property tax levy from a decline in property values.

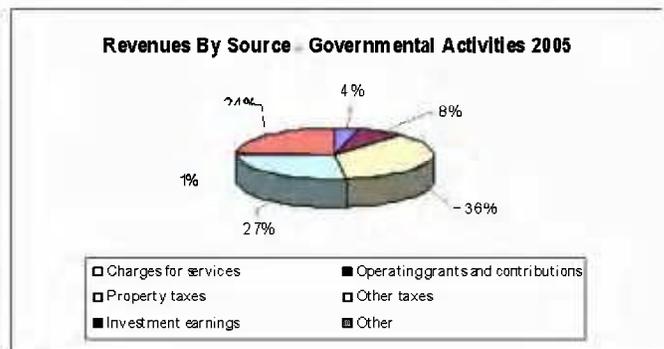
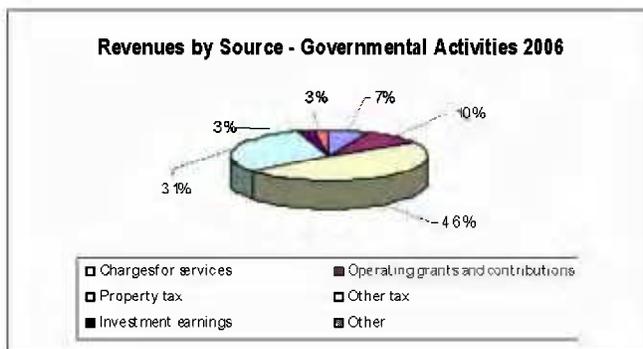
Table 2 below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 2 - Governmental Activities

Programs	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General government	\$ 544,257	\$ 197,978	\$ 543,002	\$ 266,608
Public safety	2,187,221	1,996,293	2,002,876	1,841,713
Public works	912,793	843,735	937,368	898,371
Culture and recreation	900,014	665,604	720,046	560,564
Community and economic development	1,584,566	1,186,442	1,506,817	1,027,068
Debt service	1,651,904	1,651,607	1,666,809	1,665,289
Capital projects	1,499,891	1,356,198	960,883	919,536
<b>Total</b>	<b>\$ 9,280,646</b>	<b>\$ 7,897,857</b>	<b>\$ 8,337,801</b>	<b>\$ 7,179,149</b>

Net cost of services is 85% and 86% of total cost of services in 2006 and 2005, respectively. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

The graph below shows the percentage of the total governmental activities receipts allocated by each revenue type for 2006 and 2005.

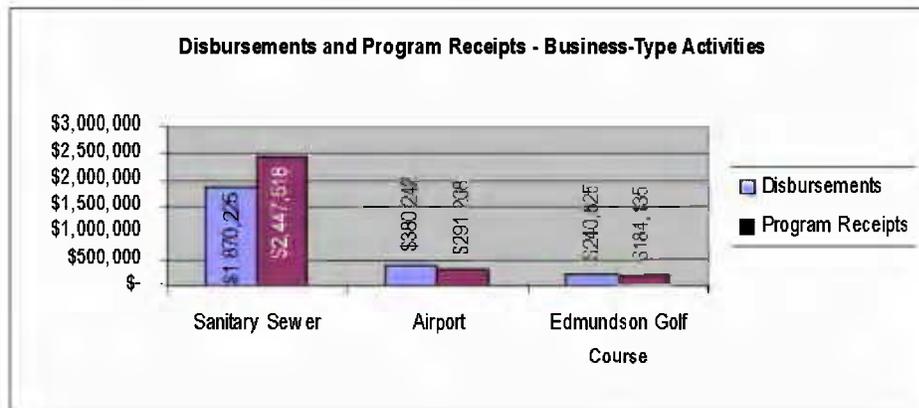


## City of Oskaloosa, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

**Business-type activities** - Business-type activities increased the City of Oskaloosa, Iowa's cash and investments by \$743,020. Key elements of this increase are as follows:

- The Sanitary Sewer Fund recorded an increase of \$712,712 in cash and investments for the year due to proceeds from SRF loans.
- Total business-type activities' revenue for the fiscal year was \$3,248,929 compared to \$2,411,777 for 2005. For 2006, all but \$326,024 of this revenue was generated for specific business-type activity expenses. This significant increase was due primarily to the current year drawing down more of the capitalization sewer loan program to finance sewer improvement projects. The graph below shows a comparison between the business-type activity disbursements and program receipts.



- The Airport activity recorded an increase of \$7,698 in cash and investments for the year. The increase is due to grant receipts for a project paid from the FAA grant.
- The Edmundson Golf Course activity recorded an increase of \$32,833 due to the increase in revenues from golf usage and a reduction in operating disbursements.
- The Stormwater Fund is a new fund in the current year and recorded a decrease of \$(11,956) since charges for services were not yet in effect.
- The RACI Main Street Loans Fund recorded an increase in cash and investments of \$3,158 for the year. There were no loans made to Main Street businesses.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S 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. On the following page are the major reasons for the changes in cash balances from the prior year for the City's major funds.

## City of Oskaloosa, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

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#### Governmental Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,603,016, an increase of \$86,666 from the prior year. This increase was due to better than projected revenues and controlled expenses.

The Road Use Tax Fund cash balance increased by \$108,352 to \$729,672 during the fiscal year. This increase was due to reduced costs.

The Library Maintenance Fund was established by the Local Option Sales and Service Tax Referendum to maintain the Library in future years. The funds are from the Local Option Sales and Service Tax with only interest proceeds from those funds to be expended. At the end of the fiscal year, the cash balance was \$1,192,145, an increase of \$17,149.

The Local Option Sales and Service Tax Revenue Fund had no cash and investment balance in the current or prior year.

The Debt Service Fund had an increase of \$55,829 for an ending cash and investment balance of \$129,605. The increase was from interest revenue from general obligation bond fund and additional property tax receipts.

The Employee Benefits Fund had an increase of \$31,080 for an ending cash and investment balance of \$66,654 due to personnel changes and health insurance premiums being less than anticipated.

The Edmundson Pool Renovation Project Fund had a decrease of \$(112,336) for an ending cash and investment balance of \$(112,336) due to capital project costs on the pool.

#### Proprietary Funds

The cash balance of the Sanitary Sewer Fund increased by approximately \$713,000 to \$1,881,295, due primarily to an increase in receipts drawn from the SRF funds and increases in rates.

#### **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 operating budget twice. The amendments resulted in an increase in operating disbursements related to various projects. The City had sufficient cash balances and revenue to cover the budget amendments.

## City of Oskaloosa, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

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#### DEBT ADMINISTRATION

At year-end, the City had approximately \$13,121,000 in bonds and other long-term debt compared to approximately \$13,965,000 last year as shown below:

Outstanding Debt at Year-End (Expressed in Thousands)		
	2006	2005
General obligation bonds	\$ 4,640	\$ 5,420
General obligation notes	1,455	1,800
Revenue bonds and capital loan notes	6,768	6,320
Capital leases	178	192
Iowa Finance Authority loan	70	38
CEBA	10	195
<b>Total</b>	<b>\$ 13,121</b>	<b>\$ 13,965</b>

Debt decreased as a result of scheduled debt payments.

The City's general obligation bond rating has been A2 since 1999. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6,215,178 is well below the City's \$20.3 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Note 4 to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2007 fiscal year budget. One of those factors is the economy. Unemployment in Mahaska County now stands at 3.6 percent versus 4.3 percent in 2005. This compares with the state's unemployment rate of 3.8 percent. These indicators were taken into account when adopting the budget for 2007.

#### REQUESTS FOR INFORMATION

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the City's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Marilyn Miller, Finance Director, 220 South Market Street, Oskaloosa, Iowa 52577.

City of Oskaloosa, Iowa

Statement of Activities and Changes in Cash and Investment Balances  
Year Ended June 30, 2006

Function/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Public safety	\$ (2,187,221)	\$ 60,498	\$ 130,430	\$ -
Public works	(912,793)	7,268	61,790	-
Culture and recreation	(900,014)	88,568	145,842	-
Community and economic development	(1,584,566)	70,447	327,677	-
General government	(544,257)	322,564	23,715	-
Debt service	(1,651,904)	297	-	-
Capital projects	(1,499,891)	-	143,693	-
<b>Total governmental activities</b>	<b>(9,280,646)</b>	<b>549,642</b>	<b>833,147</b>	<b>-</b>
<b>Business-type activities:</b>				
Sanitary sewer	(1,870,225)	1,499,189	-	948,329
Airport	(380,242)	-	291,208	-
Edmundson Golf Course	(240,525)	184,135	-	-
Stormwater	(11,956)	-	-	-
RACI main street loans	(1,638)	44	-	-
<b>Total business-type activities</b>	<b>(2,504,586)</b>	<b>1,683,368</b>	<b>291,208</b>	<b>948,329</b>
<b>Total</b>	<b>\$ (11,785,232)</b>	<b>\$ 2,233,010</b>	<b>\$ 1,124,355</b>	<b>\$ 948,329</b>

General receipts:

- Property taxes levied for:
  - General purposes
  - Debt service
- Tax Increment Financing
- Local option sales tax
- Road use tax
- Other taxes
- Unrestricted investment earnings
- Sale of property
- Issuance of debt
- Miscellaneous

Transfers

**Total general receipts and transfers**

Change in cash balances

Cash and investment balances, beginning

Cash and investment balances, ending

Cash and investment balances:

- Restricted:
  - Streets
  - Library maintenance
  - Employee benefits
  - Debt service
  - Library
  - Housing
  - Capital
- Unrestricted

**Total cash and investment balances**

See Notes to Financial Statements.

Net (Disbursements) Receipts		
Governmental Activities	Business-Type Activities	Total
\$ (1,996,293)	\$ -	\$ (1,996,293)
(843,735)	-	(843,735)
(665,604)	-	(665,604)
(1,186,442)	-	(1,186,442)
(197,978)	-	(197,978)
(1,651,607)	-	(1,651,607)
(1,356,198)	-	(1,356,198)
(7,897,857)	-	(7,897,857)
-	577,293	577,293
-	(89,034)	(89,034)
-	(56,390)	(56,390)
-	(11,956)	(11,956)
-	(1,594)	(1,594)
-	418,319	418,319
(7,897,857)	418,319	(7,479,538)
2,932,861	-	2,932,861
1,020,223	-	1,020,223
538,965	-	538,965
844,552	-	844,552
923,658	-	923,658
247,963	-	247,963
214,940	237,627	452,567
117,165	1,650	118,815
94,816	-	94,816
5,244	86,747	91,991
1,323	(1,323)	-
6,941,710	324,701	7,266,411
(956,147)	743,020	(213,127)
5,840,994	1,162,039	7,003,033
\$ 4,884,847	\$ 1,905,059	\$ 6,789,906
\$ 729,672	\$ -	\$ 729,672
1,192,945	-	1,192,945
66,654	-	66,654
129,605	671,226	800,831
453,218	-	453,218
265,059	-	265,059
75,335	-	75,335
1,972,359	1,233,833	3,206,192
\$ 4,884,847	\$ 1,905,059	\$ 6,789,906

City of Oskaloosa, Iowa

Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment  
Balances (Deficits) - Governmental Funds  
Year Ended June 30, 2006

	General	Road Use Tax	Library Maintenance
<b>Receipts:</b>			
Property tax	\$ 2,045,065	\$ -	\$ -
Other city tax	90,320	-	-
Licenses and permits	226,789	-	-
Use of money and property	76,296	-	44,149
Intergovernmental	170,440	923,658	-
Charges for services	89,485	-	-
Special assessments	-	-	-
Miscellaneous	89,078	-	-
<b>Total receipts</b>	<b>2,787,473</b>	<b>923,658</b>	<b>44,149</b>
<b>Disbursements:</b>			
Operating:			
Public safety	2,142,687	-	-
Public works	96,479	814,737	-
Culture and recreation	665,777	-	27,000
Community and economic development	123,217	-	-
General government	530,248	-	-
Debt service:			
Principal payments	-	-	-
Interest and other charges	-	-	-
Capital projects	-	-	-
<b>Total disbursements</b>	<b>3,558,408</b>	<b>814,737</b>	<b>27,000</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(770,935)</b>	<b>108,921</b>	<b>17,149</b>
<b>Other financing sources (uses):</b>			
Sale of property	1,760	-	-
Issuance of debt	-	-	-
Transfers in	921,353	-	-
Transfers (out)	(65,512)	(569)	-
	<b>857,601</b>	<b>(569)</b>	<b>-</b>
<b>Increase (decrease) in cash</b>	<b>86,666</b>	<b>108,352</b>	<b>17,149</b>
Cash and investment balances, beginning	1,516,350	621,320	1,174,996
Cash and investment balances (deficits), ending	<b>\$ 1,603,016</b>	<b>\$ 729,672</b>	<b>\$ 1,192,145</b>
<b>Cash and investment balances:</b>			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved:			
General Fund	1,603,016	-	-
Special revenue funds	-	729,672	1,192,145
Capital projects funds	-	-	-
<b>Total cash and investment balances</b>	<b>\$ 1,603,016</b>	<b>\$ 729,672</b>	<b>\$ 1,192,145</b>

See Notes to Financial Statements.

Local Option Sales and Service Tax Revenue	Employee Benefits	Debt Service	Edmundson Pool Renovation Project	Nonmajor Governmental Funds	Total
\$ -	\$ 823,876	\$ 1,020,223	\$ -	\$ 63,920	\$ 3,953,084
844,552	34,597	40,480	-	621,531	1,631,480
-	-	-	-	-	226,789
-	3,802	38,243	-	39,243	201,733
-	-	-	-	224,248	1,318,346
-	-	-	-	10,287	99,772
-	-	297	-	4,250	4,547
-	357	-	2,672	458,145	550,252
844,552	862,632	1,099,243	2,672	1,421,624	7,986,003
-	-	-	-	44,428	2,187,115
-	-	-	-	-	911,216
-	-	-	-	207,237	900,014
844,552	-	-	-	616,518	1,584,287
-	-	-	-	-	530,248
-	-	1,339,257	-	-	1,339,257
-	-	312,647	-	-	312,647
-	-	-	1,083,253	416,638	1,499,891
844,552	-	1,651,904	1,083,253	1,284,821	9,264,675
-	862,632	(552,661)	(1,080,581)	136,803	(1,278,672)
-	-	-	440	114,965	117,165
-	-	-	-	94,816	94,816
-	-	608,490	967,805	124,309	2,621,957
-	(831,552)	-	-	(1,723,001)	(2,620,634)
-	(831,552)	608,490	968,245	(1,388,911)	213,304
-	31,080	55,829	(112,336)	(1,252,108)	(1,065,368)
-	35,574	73,776	-	2,063,392	5,485,408
\$ -	\$ 66,654	\$ 129,605	\$ (112,336)	\$ 811,284	\$ 4,420,040
\$ -	\$ -	\$ 129,605	\$ -	\$ -	\$ 129,605
-	-	-	-	-	1,603,016
-	66,654	-	-	564,844	2,553,315
-	-	-	(112,336)	246,440	134,104
\$ -	\$ 66,654	\$ 129,605	\$ (112,336)	\$ 811,284	\$ 4,420,040

City of Oskaloosa, Iowa

**Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances (Deficits) to the Statement of Activities and Changes in Cash and Investment Balances - Governmental Funds**  
**Year Ended June 30, 2006**

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Total governmental funds cash and investment balances	\$ 4,420,040
Amounts reported for governmental activities in the statement of activities and net assets are difference because:	
The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. The assets of the Internal Service Fund are included in governmental activities in the statement of activities and net assets.	
<b>Cash basis net assets of governmental activities</b>	<u>464,807</u> <u>4,884,847</u>
Net change in cash and investment balances	(1,065,368)
Amounts reported for governmental activities in the statement of activities and net assets are difference because:	
The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	
<b>Change in cash and investment balances of governmental activities</b>	<u>109,221</u> <u>\$ (956,147)</u>

See Notes to Financial Statements.

City of Oskaloosa, Iowa

**Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances**  
**Proprietary Funds**  
**Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds			Governmental
	Nonmajor Enterprise		Total	Internal Service
	Sanitary Sewer	Funds		Funds
<b>Operating receipts:</b>				
Use of money and property	\$ 69,751	\$ 167,876	\$ 237,627	\$ 13,907
Charges for services	1,493,030	184,179	1,677,209	654,543
Special assessments	6,159	-	6,159	-
Miscellaneous	65,720	21,027	86,747	73,632
<b>Total operating receipts</b>	<b>1,634,660</b>	<b>373,082</b>	<b>2,007,742</b>	<b>742,082</b>
<b>Operating disbursements:</b>				
Business-type activities, operations	765,653	324,805	1,090,458	-
Nonprogram	-	-	-	634,286
<b>Total operating disbursements</b>	<b>765,653</b>	<b>324,805</b>	<b>1,090,458</b>	<b>634,286</b>
<b>Excess of operating receipts over operating disbursements</b>	<b>869,007</b>	<b>48,277</b>	<b>917,284</b>	<b>107,796</b>
<b>Nonoperating receipts (disbursements):</b>				
Intergovernmental	-	291,208	291,208	-
Capital projects	(353,723)	(281,645)	(635,368)	-
Issuance of debt	948,329	-	948,329	-
Debt service:				
Principal	(501,000)	(25,118)	(526,118)	-
Interest and other charges	(248,635)	(2,582)	(251,217)	-
<b>Total nonoperating receipts (disbursements)</b>	<b>(155,029)</b>	<b>(18,137)</b>	<b>(173,166)</b>	<b>-</b>
<b>Excess of receipts over disbursements</b>	<b>713,978</b>	<b>30,140</b>	<b>744,118</b>	<b>107,796</b>
<b>Other financing sources (uses):</b>				
Transfers (out)	(1,266)	(57)	(1,323)	-
Sale of property	-	1,650	1,650	-
<b>Total other financing sources (uses)</b>	<b>(1,266)</b>	<b>1,593</b>	<b>327</b>	<b>-</b>
<b>Increase in cash</b>	<b>712,712</b>	<b>31,733</b>	<b>744,445</b>	<b>107,796</b>
Cash and investment balances (deficits), beginning	1,168,583	(18,422)	1,150,161	367,464
Cash and investment balances, ending	\$ 1,881,295	\$ 13,311	\$ 1,894,606	\$ 475,260
<b>Cash and investment balances:</b>				
Reserved for debt service	\$ 671,226	\$ -	\$ 671,226	\$ -
Unreserved	1,210,069	13,311	1,223,380	475,260
<b>Total cash and investment balances</b>	<b>\$ 1,881,295</b>	<b>\$ 13,311</b>	<b>\$ 1,894,606</b>	<b>\$ 475,260</b>

See Notes to Financial Statements.

City of Oskaloosa, Iowa

**Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances to the Statement of Activities and Changes in Cash and Investment Balances - Proprietary Funds**  
**Year Ended June 30, 2006**

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Total enterprise funds cash and investment balances	\$ 1,894,606
Amounts reported for business-type activities in the statement of activities and net assets are difference because:	
The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. A portion of assets of the Internal Service Fund are included in the business-type activities in the statement of net assets.	
	<u>10,453</u>
<b>Cash basis net assets of business-type activities</b>	<u>1,905,059</u>
Net change in cash balances	744,445
Amounts reported for business-type activities in the statement of activities and net assets are difference because:	
The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. An allocation of the change in net assets of the Internal Service Fund is reported with business-type activities.	
	<u>(1,425)</u>
<b>Change in cash balance of business-type activities</b>	<u>\$ 743,020</u>

See Notes to Financial Statements.

## City of Oskaloosa, Iowa

### Notes to Financial Statements

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#### **Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies**

##### **Nature of operations:**

The City of Oskaloosa, Iowa (City) is a political subdivision of the state of Iowa located in Mahaska County. It was first incorporated in 1853 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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government.

##### **Reporting entity:**

Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City of Oskaloosa, Iowa is a municipal corporation and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

The financial statements present only the City of Oskaloosa, Iowa (the primary government). The financial statements do not include the component units of the City. The entities discussed below are component units of the City because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issue separate audited financial statements, can be obtained from their respective administrative offices.

The Municipal Waterworks Utility is a separate legal entity. However, it is financially accountable to the City. The Utility is governed by a three-member board appointed by the Mayor and subject to approval by the City Council and its operating budget is subject to the approval of the City Council. The Municipal Waterworks issues separate audited cash basis financial statements with a fiscal year-end of June 30, which are available at their administrative office.

The Oskaloosa Municipal Housing Agency is a separate legal entity. However, it is financially accountable to the City. The Agency is governed by a five-member board appointed by the Mayor and subject to approval by the City Council and its operating budget is subject to the approval of the City Council. The Oskaloosa Municipal Housing Agency issues separate audited financial statements with a fiscal year-end of September 30, which are available at their administrative office.

**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)**

**Basis of presentation:**

The government-wide financial statement reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes 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 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. There are no indirect disbursements. 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. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements, cash and investment balances. The various funds are classified as follows in the financial statements:

**Governmental fund types:**

Governmental fund types are those funds through which most governmental functions typically are financed. The following are the City's major governmental funds:

**General Fund** – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Road Use Tax Fund** – The Road Use Tax Fund, a special revenue fund, is utilized to account for receipt of the allocation from the state of excise taxes on motor fuel and other transportation related sources, to be used for construction, maintenance and supervision of the public streets.

**Library Maintenance Fund** – The Library Maintenance Fund, a special revenue fund, was established with Local Option Sales and Service Tax with the revenues from the tax to be used to preserve and maintain the library facility and its functions and equipment as renovated, expanded, established and reopened to the public in 1997.

**Local Option Sales and Service Tax Revenue Fund** – The Local Option Sales and Service Tax Revenue Fund, a special revenue fund, is utilized to account for the revenues from the State and Local Option Sales and Service Tax and the expenditure of those funds for the specific purpose as set forth in the referendum.

**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)**

**Employee Benefits Fund** – The Employee Benefits Fund, a special revenue fund, is utilized to account for property tax receipts expended for employee benefits.

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

**Edmundson Pool Renovation Project Fund** – The Edmundson Pool Renovation Project Fund, a capital projects fund, was established to account for the bond proceeds and any additional revenue and expenses to renovate Edmundson Pool.

The other governmental funds of the City are considered nonmajor and are as follows:

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources (other than certain capital projects that are legally restricted to expenditures for specific projects).

Miscellaneous Gifts Fund: The Miscellaneous Gifts Fund is utilized to account for gifts made to various functions of the City and the expenditure of those funds as designated.

Drug Control Safety Program Fund: The Drug Control Safety Program Fund is utilized to account for revenues and expenditures designated for that purpose.

Wooden Playground Maintenance Fund: The Wooden Playground Maintenance Fund is utilized to account for the revenue received from donations for the wooden playground and the expenditures for that purpose.

France Library Memorial Fund: The France Library Memorial Fund is utilized to account for the receipt and expense of funds bequest designated for the Library.

Police Forfeiture Fund: The Police Forfeiture Fund is utilized to account for funds received from forfeited property used to supplement the Police Department.

Miscellaneous Grants Fund: The Miscellaneous Grants Fund is utilized to account for the revenue and expenditure of small grants.

Oriental Foods Building Acquisition: The Oriental Foods Building Acquisition Fund is utilized to account for contributions to the Downtown Development Group to purchase the Oriental Foods Building.

Emergency Fund: The Emergency Fund is utilized to account for the property tax receipts and transfer of funds to the General Fund.

Hotel/Motel Tax Fund: The Hotel/Motel Tax Fund is utilized to account for the receipt of Hotel/Motel Taxes from the state and the expenditure of those funds as designated by the referendum.

**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)**

COPS Fast Grant Fund: The COPS Fast Grant Fund is utilized to account for a grant designated for the Police Department.

Housing Trust Fund: The Housing Trust Fund is utilized to account for funds received and expended to meet the housing needs of the City.

Public Library Memorial Fund: The Public Library Memorial Fund is utilized to account for gifts, donations, bequests made to the Library and the expenditure of those funds as designated.

Tax Increment Fund: The Tax Increment Fund is utilized to account for qualifying Urban Renewal Projects that are funded through property taxes in the project areas.

**Capital Projects Funds** – are used to account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those that are financed through proprietary funds.

Park Shelter Capital Improvement Fund: The Park Shelter Capital Improvement Fund is utilized to account for the maintenance and construction of Park Shelters through a Park Shelter fee.

Highway 63 North Underpass Fund: The Highway 63 North Underpass Fund was established to account for the construction of an underpass on Highway 63 North for the recreational trail.

Highway 63 South Underpass Fund: The Highway 63 Underpass Fund was established to account for the construction of an underpass on Highway 63 South for the recreational trail.

City Hall Window Project Fund: The City Hall Window Project Fund was established to account for revenue from the sale of alleys to be used for City Hall window replacement and improvements.

Sidewalk Improvement Project Fund: The Sidewalk Improvement Project Fund was established to account for sidewalk improvements made through the sale of bonds, Road Use Tax Funds and special assessments.

2004 G.O. Bonds Pool Fund: The 2004 G.O. Bonds Pool Fund was established to account for the issue of general obligation bonds issued in 2004 to raise funds for the Edmundson Pool renovation project.

North I&M Avenue West Project Fund: The North I&M Avenue West Project Fund was established to account for street improvements made to North I&M Avenue West.

Downtown Streetscape Project Fund: The Downtown Streetscape Project Fund is utilized to account for the improvements to the streets, sidewalks, street lights and sewers in the downtown area.

North H Storm Sewer Fund: The North H Storm Sewer Fund is utilized to account for the expansion and improvements made to the storm sewer on North H Street.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)**

Railroad Crossing Project Fund: The Railroad Crossing Project Fund was established to account for improvements made at railroad crossings.

Industrial Park Street Project: The Industrial Park Street Project Fund was established to account for the extension to 23<sup>rd</sup> Avenue East in the Industrial Park.

2004 G.O. Bonds Equip/Housing Fund: The 2004 G.O. Bonds Equip/Housing Fund was established to account for bond proceeds used to finance equipment purchases for Parks and Street Departments and Housing programs.

2006 G.O. Bonds Fund: The 2006 G.O. Bonds Fund was established to account for G.O. Bonds that were authorized, but not yet issued in fiscal year 2006, for improvements to the Downtown Streetscape, Industrial Park Street and railroad crossings.

2001 G.O. Bond Street Fund: The 2001 G.O. Bond Street Fund was established to account for bond funds received in 2001 for street improvements.

**Proprietary fund types:**

Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector.

**Enterprise Funds** – are utilized to finance and account for the acquisition, operation and maintenance of City facilities and services that are supported by user charges.

The following is the City's major enterprise fund:

**Sanitary Sewer Fund** – to account for operations of providing sanitary sewer services.

The other enterprise funds of the City are considered nonmajor and are as follows:

Airport Fund: This fund is used to account for the operation and maintenance of the City's airport.

Edmundson Golf Course Fund: This fund is used to account for the operation and maintenance of the City's golf course facility.

Stormwater Fund: This fund is used to account for the operations of providing stormwater services.

RACI Main Street Loans Fund: This fund is used to account for the RACI Grant revolving loan program for Main Street improvements.

**Internal Service Funds** – are used to finance and account for services and commodities provided by designated departments or agencies to other departments or agencies of the City on a cost-reimbursement basis.

## City of Oskaloosa, Iowa

### Notes to Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)

The following are the City's internal service funds:

Copier/Fax Revolving Fund: To account for the copier and fax services provided to City departments.

Health Insurance Fund: To account for the premiums and the payment of administration, stop loss and life insurance premiums and the payment of medical claims.

#### Significant accounting policies:

Basis of accounting: The City of Oskaloosa, Iowa maintains its financial records and these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, receivables, payables, capital assets, depreciation, fair value of investments and other accrued items, which may be material in amount, are not reflected.

Property taxes: All City property taxes must be certified to the Mahaska County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2006, attached as an enforceable lien on July 1, 2005, with the first half installment being delinquent after September 30, 2005 and the second half installment being delinquent after March 31, 2006.

Investments: Investments are stated at cost. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Proprietary funds: Enterprise funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements and which apply to the comprehensive basis of accounting used.

Proprietary funds distinguish operating receipts and disbursements from nonoperating 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. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

## City of Oskaloosa, Iowa

### Notes to Financial Statements

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#### Note 2. 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 combined except for internal service funds. The annual budget may be amended during the year utilizing similar statutory 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 nonprogram.

Appropriations as adopted or amended lapse at the end of the fiscal year. The nonprogram disbursements are not budgeted.

#### Note 3. Deposits and Investments

The City's deposit and investment accounts as of June 30, 2006 consist of the following:

Deposit and Investment Type	Cost	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Petty cash	\$ 475	\$ -	\$ -	\$ -	\$ -
Checking, savings and money market	563,049	-	-	-	-
Certificates of deposit	4,750,000	4,500,000	250,860	-	-
Debt securities	1,133,955	-	497,475	540,480	96,000
Iowa Public Agency Investment Trust	342,427	-	-	-	-
<b>Total</b>	<b>\$ 6,789,906</b>	<b>\$ 4,500,000</b>	<b>\$ 748,335</b>	<b>\$ 540,480</b>	<b>\$ 96,000</b>

Interest rate risk: As a means of limiting its exposure to fair value losses arising from changing interest rates, the City's investment policy requires operating funds to be invested in instruments that mature within three hundred ninety-seven days. Operating funds are defined as funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. All nonoperating funds may be invested in investments with maturities longer than three hundred ninety-seven days.

Authorized investments and credit risk: The City is authorized by statute to invest public funds not currently needed for operating expenses 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 Treasurer of the State of Iowa; commercial paper or other short-term commercial debt that mature within two hundred and seventy days and meet certain classification ratings; repurchase agreements with collateral consisting of investment obligations of the United States government; open-end management investment companies registered with the federal securities and exchange commission; and certain joint investments trusts. The City has no policy that would further limit its investment choices. The City's investment in the Iowa Public Agency Investment Trust is unrated.

**City of Oskaloosa, Iowa**

**Notes to Financial Statements**

**Note 3. Deposits and Investments (Continued)**

As of June 30, 2006, the City's debt securities were rated as follows:

Investment type	Moody's Investor's Service	Standard & Poor's	Cost	Fair Value
FHLB	Aaa	AAA	\$ 619,667	\$ 595,754
FNMA	Aaa	AAA	404,788	391,863
FFCD	Aaa	AAA	79,500	79,500
Tennessee Valley Authority	Aaa	AAA	30,000	29,656
			\$ 1,133,955	\$ 1,096,773

Concentration of credit risk: The City's general investment policy requires the Treasurer of the City of Oskaloosa to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the investment objectives and to consider the role that each investment or deposit plays within the portfolio of assets of the City. More than 5 percent of the City's investments are in the Iowa Public Agency Investment Trust, FHLB, FNMA and FFCD. These investments are 23 percent, 42 percent, 27 percent and 5 percent, respectively, of the City's \$1,476,382 total investments. All of the debt securities investments are reported in the Library Maintenance Fund and the Library Memorial Fund, both special revenue funds.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2006, the City's investments are held in the City's name. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2006, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

City of Oskaloosa, Iowa

Notes to Financial Statements

**Note 4. Long-Term Debt**

The following is a summary of the changes in the outstanding long-term debt of the City for the year ended June 30, 2006:

Obligation	Date of Issue	Rate of Interest	Amount Originally Issued	Balance June 30, 2006
<b>Governmental Activities, General Obligation Bonds:</b>				
Sewer construction	2/1/72	4.50%	\$ 880,000	\$ 5,000
Water, sewer and street improvements	9/1/97	4.35 - 5.15	740,000	535,000
Street improvements and equipment	5/1/98	3.95 - 4.40	1,540,000	545,000
Water, sewer and street improvements - World Food Park Improvements	12/1/99	4.45 - 5.40	1,115,000	915,000
Street improvements	6/1/00	4.90 - 5.15	1,000,000	600,000
Street improvements	11/1/01	2.80 - 3.70	1,100,000	670,000
Edmundson Pool renovation	9/1/04	1.80 - 3.90	1,600,000	1,555,000
Street and parks equipment, housing improvements	9/1/04	3.00 - 3.80	640,000	595,000
			<u>\$ 8,615,000</u>	<u>\$ 5,420,000</u>
<b>Governmental Activities, General Obligation Notes:</b>				
Refunding	1/1/02	4.00 - 5.50	\$ 1,015,000	\$ 630,000
Refunding	2/15/03	2.00 - 3.50	1,505,000	1,170,000
			<u>\$ 2,520,000</u>	<u>\$ 1,800,000</u>
<b>Business-Type Activities, Revenue Bonds and Capital Loan Notes:</b>				
Sewer capital loan notes	3/1/94	4.37	\$ 1,515,000	\$ 917,000
Sewer capital loan notes	2/16/96	4.19	2,671,000	1,856,000
Sewer revenue refunding capital loan notes	11/27/02	3.00 - 4.30	1,585,000	1,160,000
Sewer revenue bonds	12/6/02	3.00	4,017,000	2,387,398
			<u>\$ 9,788,000</u>	<u>\$ 6,320,398</u>
<b>Governmental Activities, Capital Leases,</b>				
Penn Central Regional Mall parking lot improvements	10/1/86	14.00	\$ 1,125,836	\$ 191,630
<b>Business-Type Activities, Capital Leases:</b>				
Golf equipment	7/18/05	5.58	\$ 99,139	\$ -
Golf carts	8/10/05	6.00	62,805	-
			<u>\$ 161,944</u>	<u>\$ -</u>
<b>Governmental Activities, Housing Assistance Fund,</b>				
Iowa Finance Authority Loan	8/1/03	3.00	\$ 150,000	\$ 38,489
<b>Community Economic Betterment Acct. Loans,</b>				
Soy Protein Technologies	10/10/00	6.00	\$ 250,000	\$ 194,762
<b>Governmental Activities, Compensated Absences</b>				<u>\$ 404,851</u>
<b>Business-Type Activities, Compensated Absences</b>				<u>\$ 65,736</u>

The compensated absences attributable to governmental activities are generally liquidated by the General Fund. The Housing Assistance Fund, Iowa Finance Authority Loan is liquidated by the Community and Economic Development function.

Issued	Redeemed	Balance June 30, 2006	Interest Paid for the Year Ended June 30, 2006	Amount Due In One Year
\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
-	50,000	485,000	26,380	70,000
-	175,000	370,000	23,627	180,000
-	65,000	850,000	47,328	70,000
-	190,000	410,000	30,755	200,000
-	215,000	455,000	23,485	225,000
-	45,000	1,510,000	53,135	50,000
-	40,000	555,000	20,430	40,000
<u>\$ -</u>	<u>\$ 780,000</u>	<u>\$ 4,640,000</u>	<u>\$ 225,140</u>	<u>\$ 840,000</u>
\$ -	\$ 135,000	\$ 495,000	\$ 32,763	\$ 155,000
-	210,000	960,000	31,868	205,000
<u>\$ -</u>	<u>\$ 345,000</u>	<u>\$ 1,455,000</u>	<u>\$ 64,631</u>	<u>\$ 360,000</u>
\$ -	\$ 75,000	\$ 842,000	\$ 33,791	\$ 78,000
-	122,000	1,734,000	77,766	127,000
-	150,000	1,010,000	82,368	155,000
948,329	154,000	3,181,727	43,253	159,000
<u>\$ 948,329</u>	<u>\$ 501,000</u>	<u>\$ 6,767,727</u>	<u>\$ 237,178</u>	<u>\$ 519,000</u>
<u>\$ -</u>	<u>\$ 150,592</u>	<u>\$ 41,038</u>	<u>\$ 17,408</u>	<u>\$ 41,038</u>
\$ 99,139	\$ 22,133	\$ 77,006	\$ -	\$ 17,635
62,805	2,985	59,820	2,583	5,172
<u>\$ 161,944</u>	<u>\$ 25,118</u>	<u>\$ 136,826</u>	<u>\$ 2,583</u>	<u>\$ 22,807</u>
<u>\$ 94,816</u>	<u>\$ 63,665</u>	<u>\$ 69,640</u>	<u>\$ 1,868</u>	<u>\$ 69,640</u>
<u>\$ -</u>	<u>\$ 185,262</u>	<u>\$ 9,500</u>	<u>\$ -</u>	<u>\$ 9,500</u>
<u>\$ 211,392</u>	<u>\$ 190,859</u>	<u>\$ 425,384</u>	<u>\$ -</u>	<u>\$ 161,372</u>
<u>\$ 43,363</u>	<u>\$ 35,612</u>	<u>\$ 73,487</u>	<u>\$ -</u>	<u>\$ 29,387</u>

**City of Oskaloosa, Iowa**

**Notes to Financial Statements**

**Note 4. Long-Term Debt (Continued)**

On June 30, 2006, the general obligation debt issued by the City did not exceed its legal debt margin compiled as follows:

Assessed valuation		<u>\$ 406,140,645</u>
Debt limit - 5% of total valuation		\$ 20,307,032
Debt applicable to debt limit:		
General obligation bonds	\$ 4,640,000	
General obligation notes	1,455,000	
Capital leases	41,038	
Loans	<u>79,140</u>	<u>6,215,178</u>
<b>Legal debt margin</b>		<u><b>\$ 14,091,854</b></u>

A summary of the City's June 30, 2006 general obligation bonds, general obligation notes, revenue bonds and revenue capital loan notes principal and interest maturities is as follows:

Year Ending June 30,	Total General Obligation Bonds		Total General Obligation Notes		Total Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 840,000	\$ 193,333	\$ 360,000	\$ 53,681	\$ 159,000	\$ 111,420
2008	870,000	157,994	385,000	41,318	163,000	106,650
2009	405,000	120,357	375,000	26,670	168,000	101,760
2010	430,000	105,038	215,000	11,295	173,000	96,720
2011	450,000	88,057	120,000	4,200	179,000	91,530
2012	470,000	69,488	-	-	184,000	86,160
2013	400,000	49,723	-	-	189,000	80,640
2014	425,000	33,347	-	-	195,000	74,970
2015	350,000	15,524	-	-	201,000	69,120
2016	-	-	-	-	207,000	63,090
2017	-	-	-	-	213,000	56,880
2018	-	-	-	-	220,000	50,490
2019	-	-	-	-	226,000	43,890
2020	-	-	-	-	233,000	37,110
2021	-	-	-	-	240,000	30,120
2022	-	-	-	-	231,727	22,920
	<u>\$ 4,640,000</u>	<u>\$ 832,861</u>	<u>\$ 1,455,000</u>	<u>\$ 137,164</u>	<u>\$ 3,181,727</u>	<u>\$ 1,123,470</u>

Total Revenue Capital Loan Notes		Total	
Principal	Interest	Principal	Interest
\$ 360,000	\$ 148,204	\$ 1,719,000	\$ 506,638
380,000	134,434	1,798,000	440,396
393,000	119,504	1,341,000	368,291
408,000	103,631	1,226,000	316,684
423,000	86,710	1,172,000	270,497
418,000	68,892	1,072,000	224,540
264,000	51,018	853,000	181,381
276,000	39,776	896,000	148,093
288,000	28,021	839,000	112,665
184,000	15,753	391,000	78,843
192,000	8,045	405,000	64,925
-	-	220,000	50,490
-	-	226,000	43,890
-	-	233,000	37,110
-	-	240,000	30,120
-	-	231,727	22,920
<u>\$ 3,586,000</u>	<u>\$ 803,988</u>	<u>\$ 12,862,727</u>	<u>\$ 2,897,483</u>

## City of Oskaloosa, Iowa

### Notes to Financial Statements

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#### Note 4. Long-Term Debt (Continued)

The resolutions provided for the issuance of the sewer revenue bonds and revenue capital loan notes include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. Sufficient monthly transfers shall be made to a sanitary sewer sinking account for the purpose of making the bond principal and interest payments when due.
- C. Sufficient monthly transfers to the sanitary sewer reserve account shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of making bond principal and interest payments should there be insufficient funds available in the sinking account. As of June 30, 2006, \$645,526 of cash and investments is in the reserve account.
- D. The City must establish and maintain a sewer improvements account. Money in the improvement account, not otherwise specifically limited by other provisions, shall be used solely for the purpose of paying principal of or interest on the bonds when there is insufficient money in the sinking account and the reserve account; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget; payments of rentals on any part of the system or payments due for any property purchased as part of the system and for capital improvements to the system. As of June 30, 2006, \$25,700 of cash and investments is in the improvement account.
- E. All amounts remaining in the sanitary sewer revenue account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sanitary sewer surplus revenue fund. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for bond and interest payments which the other accounts might be unable to make.
- F. The City must maintain net sewer revenues of at least 110 percent of the next fiscal year's debt service payment.

The Iowa Finance Authority loaned the City \$1,515,000 as of March 31, 1994; \$471,000 as of September 12, 1994; \$2,671,000 as of February 16, 1996; \$1,585,000 as of November 27, 2002; and \$4,017,000 as of December 6, 2002, which are evidenced by the issue of Sewer Revenue Bonds and Sewer Revenue Capital Loan Notes for the other issues. Principal and interest payments on the Iowa Department of Natural Resources loans are treated as payments on the Revenue Bonds and Notes.

#### Community Economic Betterment Account Loans (CEBA):

A CEBA loan has been made by the Iowa Department of Economic Development (IDED) to a local business. The funds to repay the loan come from the business recipient. The loan is required to be presented as the City's long-term debt, but the City will not be liable for it if they make a reasonable attempt to collect from the business involved upon default.

Soy Protein Technologies: A \$250,000 loan with a zero percent per annum interest rate for seven years ending December 1, 2006. Monthly payments are receivable for seven years from the business and payable to the Iowa Department of Economic Development for the loan which has a balance of \$9,500 as of June 30, 2006.

City of Oskaloosa, Iowa

Notes to Financial Statements

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**Note 4. Long-Term Debt (Continued)**

**Capital Leases:**

Lease/Purchase Agreement - Penn Central Regional Mall Parking Lot Improvements: The City is buying parking lot improvements. The balance of the obligation is \$41,038 as of June 30, 2006. Monthly payments are \$14,000 including interest at 14 percent. The contract is collateralized by the purchased property.

Golf carts and other golf equipment leases: The City is leasing golf carts and other golf equipment under two capital leases. The balance of the leases total \$136,826 as of June 30, 2006. On the golf equipment lease, annual payments are \$22,133 including interest at 5.5 percent. On the golf cart lease monthly payments are \$1,392 from May through October of each year, including interest at 5.6 percent. The lease is collateralized by the golf carts and equipment.

As of June 30, 2006, the present value of future minimum capital lease payments are as follows:

June 30,	Capital Leases
2007	\$ 72,454
2008	30,485
2009	30,485
2010	30,485
2011	37,789
Total minimum lease payments	<u>201,698</u>
Less amount representing interest	<u>23,834</u>
Present value of net minimum capital lease payments	<u><u>\$ 177,864</u></u>

**Compensated Absences:**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees and the benefits that would be payable on this liability as of June 30, 2006, primarily relating to the General, Road Use Tax and Sanitary Sewer Funds, is as follows:

Type of Benefit:	
Vacation	\$ 111,437
Sick leave	<u>774,868</u>
<b>Total</b>	<u><u>\$ 886,305</u></u>

Sick leave is payable for union employees when used or upon retirement or death and for nonunion employees upon twenty years of service or death. If paid upon retirement or death, half of the total accumulated hours are paid at the then effective hourly rate for that employee. Based on this computation, the maximum accumulated sick leave payable is half of the amount above or approximately \$387,434 as of June 30, 2006.

**Note 4. Long-Term Debt (Continued)**

**Housing Assistance Fund:**

The City entered into a loan agreement with the Iowa Finance Authority to finance a program to encourage the construction of affordable housing. The City may draw up to \$150,000 and will then lend the proceeds to contractors/developers for construction or rehabilitation of homes for families with incomes of 80 percent to 110 percent of the Mahaska County median income. Each draw is due to the state the earlier of nine months from draw date or payment by the contractor to the City. The loan has an attached grant agreement that reduces the interest rate to 3 percent; however, the rate is 10 percent in the event of default. The balance of the loan is \$69,640 as of June 30, 2006.

The City entered into a loan agreement with the Iowa Finance Authority to finance a program to encourage the rehabilitation of single family residential housing. They may draw up to \$100,000 and then will loan the proceeds to contractors/developers for the rehabilitation of single family homes. As of June 30, 2006, the City had not drawn any funds on this loan.

**Note 5. Pension and Retirement Systems**

Two retirement systems, the Iowa Public Employee Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa are in effect for employees of the City. Each of the systems is required by state law to be funded on an actuarial basis, by contributions sufficient to fully fund benefits being credited. One employee, the City Manager, is not covered by the systems mentioned previously, but is covered under the International City Management Association Retirement Corporation (ICMA). All systems are contributory and all full-time employees must participate in one of the retirement systems.

**IPERS:**

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 percent of their annual salary and the City is required to contribute 5.75 percent of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$92,880, \$86,073 and \$88,233, respectively, which meet the required minimum contribution each year.

**Municipal Fire and Police Retirement System of Iowa:**

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 issued 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 Street, Urbandale, Iowa 50322.

## City of Oskaloosa, Iowa

### Notes to Financial Statements

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#### **Note 5. Pension and Retirement Systems (Continued)**

Plan members are required to contribute 9.35 percent of earnable compensation and the City's contribution rate may not be less than 17 percent 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 \$292,098, \$237,499 and \$184,479, respectively, which met the required minimum contribution for each year.

#### **Note 6. Risk Management and Self-Insured Medical Plan**

The City of Oskaloosa, Iowa has a self-insured Health Care Plan for City employees accounted for in an internal service fund. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the Plan and evaluate claims. The funds of the City are charged a premium based on a range of rates recommended by the third party administrator.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure to the City for claims incurred is limited by the "Stop-loss" feature of the Plan. The maximum exposure for one individual in a twelve-month period is \$35,000, and the maximum exposure for the group as a whole is a computed amount based on 125 percent of the actuarial computed expected claims for the group. Claims in excess of the "stop-loss" ceilings are paid by the "stop-loss" insurance company.

As of June 30, 2006, the Plan held \$463,192 in cash and investments. The estimate of the claims liability was \$97,000 for June 30, 2006 and \$96,000 for June 30, 2005, and includes claims reported but not settled and those incurred but not reported. Claim payments as of June 30, 2006 and 2005 were \$461,581 and \$459,719, respectively.

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

#### **Note 7. Deficit Cash Balances**

On June 30, 2006, individual funds with deficit cash balances were as follows:

Special Revenue,	
Tax Increment	\$ (22,208)
Capital Projects:	
Edmundson Pool Renovation Project	(112,336)
Downtown Streetscape Project	(35,659)
Industrial Park Street Project	(16,841)
2006 G.O. Bonds	(15)
Enterprise:	
Edmundson Golf Course	(34,131)
Stormwater	(11,956)

These temporary cash shortfalls are financed through short-term advances made by other funds within the fund type.

## City of Oskaloosa, Iowa

### Notes to Financial Statements

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#### Note 8. Interfund Transfers

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

	Transfers In	Transfers Out
General	\$ 921,353	\$ (65,512)
Road Use Tax	-	(569)
Employee Benefits	-	(831,552)
Debt service	608,490	-
Edmundson Pool Renovation Project	967,805	-
Nonmajor governmental funds	124,309	(1,723,001)
Sanitary sewer	-	(1,266)
Nonmajor enterprise funds	-	(57)
<b>Totals</b>	<u>\$ 2,621,957</u>	<u>\$ (2,621,957)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### Note 9. GASB Statements

During the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34. The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The adoption of this standard had no effect on the City.

The GASB has issued several statements not yet implemented by the City. The statements which will impact the City are as follows:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

**City of Oskaloosa, Iowa**

**Notes to Financial Statements**

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**Note 10. Construction Commitments**

The City has several construction contract commitments to be financed from capital projects funds. The total outstanding construction commitments of the City as of June 30, 2006 is \$89,932.

**Note 11. Authorized Bonds**

In March 2006, the City authorized the issuance of \$1,955,000 of general obligation bonds. As of the audit date, no bonds have been issued.

City of Oskaloosa, Iowa

**Required Supplementary Information**  
**Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances**  
**Budget to Actual (Cash Basis) - All Governmental Fund Types and Enterprise Funds**  
**Year Ended June 30, 2006**

	Governmental Fund Types Actual	Enterprise Fund Types Actual	Net
<b>Receipts:</b>			
Property tax	\$ 3,953,084	\$ -	\$ 3,953,084
Other city tax	1,631,480	-	1,631,480
Licenses and permits	226,789	-	226,789
Use of money and property	201,733	237,627	439,360
Intergovernmental	1,318,346	291,208	1,609,554
Charges for service	99,772	1,677,209	1,776,981
Special assessments	4,547	6,159	10,706
Miscellaneous	550,252	86,747	636,999
<b>Total receipts</b>	<b>7,986,003</b>	<b>2,298,950</b>	<b>10,284,953</b>
<b>Disbursements:</b>			
Public safety	2,187,115	-	2,187,115
Public works	911,216	-	911,216
Culture and recreation	900,014	-	900,014
Community and economic development	1,584,287	-	1,584,287
General government	530,248	-	530,248
Debt service	1,651,904	-	1,651,904
Capital projects	1,499,891	-	1,499,891
Business-type	-	2,503,161	2,503,161
<b>Total disbursements</b>	<b>9,264,675</b>	<b>2,503,161</b>	<b>11,767,836</b>
<b>Deficiency of receipts over disbursements</b>	<b>(1,278,672)</b>	<b>(204,211)</b>	<b>(1,482,883)</b>
<b>Other financing sources (uses):</b>			
Sale of property	117,165	1,650	118,815
Issuance of debt	94,816	948,329	1,043,145
Transfers in	2,621,957	-	2,621,957
Transfers (out)	(2,620,634)	(1,323)	(2,621,957)
	213,304	948,656	1,161,960
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(1,065,368)</b>	<b>744,445</b>	<b>(320,923)</b>
Cash and investment balances, beginning	5,485,408	1,150,161	6,635,569
Cash and investment balances, ending	<b>\$ 4,420,040</b>	<b>\$ 1,894,606</b>	<b>\$ 6,314,646</b>

See Notes to Required Supplementary Information.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 3,919,964	\$ 3,972,155	\$ (19,071)
1,627,202	1,631,484	(4)
189,350	197,650	29,139
261,509	364,148	75,212
3,644,940	3,341,053	(1,731,499)
3,315,889	3,175,505	(1,398,524)
-	9,050	1,656
643,429	803,770	(166,771)
13,602,283	13,494,815	(3,209,862)
2,219,188	2,321,383	134,268
1,078,497	1,061,139	149,923
829,948	938,523	38,509
2,629,213	2,758,770	1,174,483
551,709	546,679	16,431
1,586,372	1,754,372	102,468
3,280,189	2,737,272	1,237,381
4,389,375	4,777,172	2,274,011
16,564,491	16,895,310	5,127,474
(2,962,208)	(3,400,495)	1,917,612
17,000	216,878	(98,063)
1,151,312	3,540,158	(2,497,013)
5,510,445	4,979,134	(2,357,177)
(5,510,445)	(4,979,134)	2,357,177
1,168,312	3,757,036	(2,595,076)
(1,793,896)	356,541	(677,464)
7,433,399	7,894,384	(1,258,815)
\$ 5,639,503	\$ 8,250,925	\$ (1,936,279)

## City of Oskaloosa, Iowa

### Required Supplementary Information Note to Required Supplementary Information

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#### **Budgetary Reporting**

The budgetary comparison schedule is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except for internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal 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 enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, two budget amendments increased budgeted disbursements by \$330,819. The budget amendments are reflected in the final budget amount.

City of Oskaloosa, Iowa

**Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances (Deficits) - Nonmajor Governmental Funds  
Year Ended June 30, 2006**

	Special Revenue			
	Miscellaneous Gifts	Drug Control Safety Program	Wooden Playground Maintenance	France Library Memorial
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Other city tax	-	-	-	-
Use of money and property	1,362	-	114	1,011
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	3,065	250	5,000	-
<b>Total receipts</b>	<b>4,427</b>	<b>250</b>	<b>5,114</b>	<b>1,011</b>
Disbursements:				
Operating:				
Public safety	2,400	353	-	-
Culture and recreation	-	-	3,032	2,792
Community and economic development	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>2,400</b>	<b>353</b>	<b>3,032</b>	<b>2,792</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>2,027</b>	<b>(103)</b>	<b>2,082</b>	<b>(1,781)</b>
Other financing sources (uses):				
Sale of property	450	-	-	-
Issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<b>450</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in cash</b>	<b>2,477</b>	<b>(103)</b>	<b>2,082</b>	<b>(1,781)</b>
Cash and investment balances (deficits), beginning	30,678	203	2,061	26,884
Cash and investment balances (deficits), ending	<b>\$ 33,155</b>	<b>\$ 100</b>	<b>\$ 4,143</b>	<b>\$ 25,103</b>

(Continued)

Special Revenue

	Police Forfeiture	Miscellaneous Grants	Oriental Foods Building Acquisition	Emergency	Hotel Motel Tax
\$	-	\$ -	\$ -	\$ 63,920	\$ -
	-	-	-	2,680	79,886
	416	18	60	-	-
	-	8,837	-	-	-
	4,313	-	-	-	-
	-	-	-	-	-
	-	7,000	15,250	-	-
	4,729	15,855	15,310	66,600	79,886
	1,757	12,111	-	-	-
	-	-	-	-	79,886
	-	2,130	50,310	-	-
	-	-	-	-	-
	1,757	14,241	50,310	-	79,886
	2,972	1,614	(35,000)	66,600	-
	573	-	-	-	-
	-	-	-	-	-
	-	4,389	35,000	-	-
	-	-	-	(66,600)	-
	573	4,389	35,000	(66,600)	-
	3,545	6,003	-	-	-
	9,027	2,526	-	-	-
\$	12,572	\$ 8,529	\$ -	\$ -	\$ -

City of Oskaloosa, Iowa

Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances (Deficits) - Nonmajor Governmental Funds (Continued)  
Year Ended June 30, 2006

	Special Revenue			
	COPS Fast Grant	Housing Trust	Public Library Memorial	Tax Increment
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Other city tax	-	-	-	538,965
Use of money and property	-	10,415	15,863	4,979
Intergovernmental	19,931	42,792	-	-
Charges for services	-	4,891	1,083	-
Special assessments	-	-	-	795
Miscellaneous	3,938	278,050	91,087	-
<b>Total receipts</b>	<b>23,869</b>	<b>336,148</b>	<b>108,033</b>	<b>544,739</b>
Disbursements:				
Operating:				
Public safety	27,807	-	-	-
Culture and recreation	-	-	121,527	-
Community and economic development	-	561,914	-	2,164
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>27,807</b>	<b>561,914</b>	<b>121,527</b>	<b>2,164</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(3,938)</b>	<b>(225,766)</b>	<b>(13,494)</b>	<b>542,575</b>
Other financing sources (uses):				
Sale of property	-	108,378	1,944	-
Issuance of debt	-	94,816	-	-
Transfers in	3,938	-	-	-
Transfers (out)	-	(65,855)	-	(542,958)
	<b>3,938</b>	<b>137,339</b>	<b>1,944</b>	<b>(542,958)</b>
<b>Increase (decrease) in cash</b>	<b>-</b>	<b>(88,427)</b>	<b>(11,550)</b>	<b>(383)</b>
Cash and investment balances (deficits), beginning	-	163,762	439,665	(21,825)
Cash and investment balances (deficits), ending	\$ -	\$ 75,335	\$ 428,115	\$ (22,208)

(Continued)

Capital Projects						
Park Shelter Capital Improvement	Highway 63 North Underpass	Highway 63 South Underpass	City Hall Window Project	Sidewalk Improvement Project	2004 G.O. Bonds Pool	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
4,577	-	-	341	87	-	-
-	6,487	146,201	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,455	-	-
-	2,504	50,278	-	-	-	-
4,577	8,991	196,479	341	3,542	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,872	8,109	196,479	238	1,202	-	-
3,872	8,109	196,479	238	1,202	-	-
705	882	-	103	2,340	-	-
-	-	-	3,620	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(967,805)
-	-	-	3,620	-	-	(967,805)
705	882	-	3,723	2,340	-	(967,805)
13,075	-	-	6,753	2,033	-	967,805
\$ 13,780	\$ 882	\$ -	\$ 10,476	\$ 4,373	\$ -	\$ -

City of Oskaloosa, Iowa

Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances (Deficits) - Nonmajor Governmental Funds (Continued)  
Year Ended June 30, 2006

	Capital Projects			
	North I&M Avenue West Project	Downtown Streetscape Project	North H Storm Sewer	Railroad Crossing Project
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Other city tax	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	13	-	-	-
<b>Total receipts</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>
Disbursements:				
Operating:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	79,773	27,362	-	-
<b>Total disbursements</b>	<b>79,773</b>	<b>27,362</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(79,760)</b>	<b>(27,362)</b>	<b>-</b>	<b>-</b>
Other financing sources (uses):				
Sale of property	-	-	-	-
Issuance of debt	-	-	-	-
Transfers in	79,760	-	1,210	-
Transfers (out)	-	-	-	(7,801)
	<b>79,760</b>	<b>-</b>	<b>1,210</b>	<b>(7,801)</b>
<b>Increase (decrease) in cash</b>	<b>-</b>	<b>(27,362)</b>	<b>1,210</b>	<b>(7,801)</b>
Cash and investment balances (deficits), beginning	-	(8,297)	(1,210)	12,186
Cash and investment balances (deficits), ending	\$ -	\$ (35,659)	\$ -	\$ 4,385

Capital Projects					
Industrial Park Street Project	2004 G.O. Bonds Equip/Housing	2006 G.O. Bonds	2001 G.O. Bond Street	Total	
\$ -	\$ -	\$ -	\$ -	\$	63,920
-	-	-	-	-	621,531
-	-	-	-	-	39,243
-	-	-	-	-	224,248
-	-	-	-	-	10,287
-	-	-	-	-	4,250
-	-	-	1,710	-	458,145
-	-	-	1,710	-	1,421,624
-	-	-	-	-	44,428
-	-	-	-	-	207,237
-	-	-	-	-	616,518
16,818	73,427	27	9,331	-	416,638
16,818	73,427	27	9,331	-	1,284,821
(16,818)	(73,427)	(27)	(7,621)	-	136,803
-	-	-	-	-	114,965
-	-	-	-	-	94,816
-	-	12	-	-	124,309
(23)	-	-	(71,959)	-	(1,723,001)
(23)	-	12	(71,959)	-	(1,388,911)
(16,841)	(73,427)	(15)	(79,580)	-	(1,252,108)
-	338,486	-	79,580	-	2,063,392
\$ (16,841)	\$ 265,059	\$ (15)	\$ -	\$	811,284

City of Oskaloosa, Iowa

**Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances (Deficits) - Nonmajor Enterprise Funds  
Year Ended June 30, 2006**

	Airport	Edmundson Golf Course	Stormwater	RACI Main Street Loans	Total
Operating receipts:					
Use of money and property	\$ 80,264	\$ 86,923	\$ -	\$ 689	\$ 167,876
Charges for services	-	184,135	-	44	184,179
Miscellaneous	16,468	496	-	4,063	21,027
<b>Total operating receipts</b>	<b>96,732</b>	<b>271,554</b>	<b>-</b>	<b>4,796</b>	<b>373,082</b>
Operating disbursements, business-type activities, operations					
	98,597	212,614	11,956	1,638	324,805
<b>Excess of operating receipts over (under) operating disbursements</b>	<b>(1,865)</b>	<b>58,940</b>	<b>(11,956)</b>	<b>3,158</b>	<b>48,277</b>
Nonoperating receipts (disbursements):					
Intergovernmental	291,208	-	-	-	291,208
Capital projects	(281,645)	-	-	-	(281,645)
Debt service:					
Principal payments	-	(25,118)	-	-	(25,118)
Interest and other charges	-	(2,582)	-	-	(2,582)
<b>Total nonoperating receipts (disbursements)</b>	<b>9,563</b>	<b>(27,700)</b>	<b>-</b>	<b>-</b>	<b>(18,137)</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>7,698</b>	<b>31,240</b>	<b>(11,956)</b>	<b>3,158</b>	<b>30,140</b>
Other financing sources (uses):					
Transfers (out)	-	(57)	-	-	(57)
Sale of property	-	1,650	-	-	1,650
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,593</b>	<b>-</b>	<b>-</b>	<b>1,593</b>
<b>Increase (decrease) in cash</b>	<b>7,698</b>	<b>32,833</b>	<b>(11,956)</b>	<b>3,158</b>	<b>31,733</b>
Cash and investment balances (deficits), beginning					
	37,452	(66,964)	-	11,090	(18,422)
Cash and investment balances (deficits), ending					
	\$ 45,150	\$ (34,131)	\$ (11,956)	\$ 14,248	\$ 13,311

City of Oskaloosa, Iowa

Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment  
Balances - Internal Service Funds  
Year Ended June 30, 2006

	Copier/Fax Revolving	Health Insurance	Total
Receipts:			
Use of money and property, interest on investments	\$ 432	\$ 13,475	\$ 13,907
Charges for services:			
Premiums	-	651,421	651,421
Copier and fax services	3,122	-	3,122
Miscellaneous:			
Sale of supplies	214	-	214
Refunds/reimbursements	-	73,418	73,418
<b>Total receipts</b>	<b>3,768</b>	<b>738,314</b>	<b>742,082</b>
Disbursements:			
Nonprogram:			
Contractual and contractual services	-	631,510	631,510
Repair, maintenance, utilities	1,733	-	1,733
Commodities	1,043	-	1,043
<b>Total disbursements</b>	<b>2,776</b>	<b>631,510</b>	<b>634,286</b>
<b>Excess of receipts over disbursements</b>	<b>992</b>	<b>106,804</b>	<b>107,796</b>
Cash and investment balances, beginning	11,076	356,388	367,464
Cash and investment balances, ending	<b>\$ 12,068</b>	<b>\$ 463,192</b>	<b>\$ 475,260</b>

City of Oskaloosa, Iowa

Schedule of Bond and Note Maturities by Issue  
June 30, 2006

Amounts Due For Year Ending June 30,	Water, Sewer and Street Improvements Issued September 1, 1997		Street Improvements & Equipment Issued May 1, 1998	
	Interest Rates	Amount	Interest Rates	Amount
2007	4.75%	\$ 70,000	4.35%	\$ 180,000
2008	4.80	75,000	4.40	190,000
2009	4.90	75,000	-	-
2010	5.00	85,000	-	-
2011	5.05	90,000	-	-
2012	5.15	90,000	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
		<u>\$ 485,000</u>		<u>\$ 370,000</u>

(Continued)



City of Oskaloosa, Iowa

Schedule of Bond and Note Maturities by Issue (Continued)

June 30, 2006

Amounts Due For Year Ending June 30,	Refunding General Obligation (Notes) Issued January 1, 2002		Refunding, Frankel Building, City Hall Improvements Issued February 15, 2003	
	Interest Rates	Amount	Interest Rates	Amount
2007	5.00%	\$ 155,000	2.25%	\$ 205,000
2008	5.25	175,000	2.60	210,000
2009	5.50	165,000	3.00	210,000
2010	-	-	3.30	215,000
2011	-	-	3.50	120,000
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
		<u>\$ 495,000</u>		<u>\$ 960,000</u>

(Continued)

Sewer Revenue Capital Loan Notes Issued March 1, 1994		Sewer Revenue Capital Loan Notes Issued February 16, 1996		Sewer Revenue Refunding Capital Loan Notes Issued November 27, 2002	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
4.37%	\$ 78,000	4.19%	\$ 127,000	3.25%	\$ 155,000
4.37	82,000	4.19	133,000	3.50	165,000
4.37	85,000	4.19	138,000	3.75	170,000
4.37	89,000	4.19	144,000	4.00	175,000
4.37	93,000	4.19	150,000	4.15	180,000
4.37	97,000	4.19	156,000	4.30	165,000
4.37	101,000	4.19	163,000	-	-
4.37	106,000	4.19	170,000	-	-
4.37	111,000	4.19	177,000	-	-
-	-	4.19	184,000	-	-
-	-	4.19	192,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
	<u>\$ 842,000</u>		<u>\$ 1,734,000</u>		<u>\$ 1,010,000</u>

City of Oskaloosa, Iowa

Schedule of Bond and Note Maturities by Issue (Continued)

June 30, 2006

Amounts Due For Year Ending June 30,	Sewer Revenue Bonds Issued December 6, 2002		Edmundson Pool Renovation Issued September 1, 2004	
	Interest Rates	Amount	Interest Rates	Amount
2007	3.00%	\$ 159,000	3.00%	\$ 50,000
2008	3.00	163,000	3.00	50,000
2009	3.00	168,000	3.00	180,000
2010	3.00	173,000	3.00	185,000
2011	3.00	179,000	3.00	190,000
2012	3.00	184,000	4.00	200,000
2013	3.00	189,000	4.00	210,000
2014	3.00	195,000	4.00	220,000
2015	3.00	201,000	4.00	225,000
2016	3.00	207,000	-	-
2017	3.00	213,000	-	-
2018	3.00	220,000	-	-
2019	3.00	226,000	-	-
2020	3.00	233,000	-	-
2021	3.00	240,000	-	-
2022	3.00	231,727	-	-
		<u>\$ 3,181,727</u>		<u>\$ 1,510,000</u>

Street and Parks Equipment,  
Housing Improvements  
Issued September 1, 2004

Interest Rates	Amount	Total
3.10%	\$ 40,000	\$ 1,714,000
3.10	40,000	1,798,000
3.15	70,000	1,341,000
3.30	75,000	1,226,000
3.50	75,000	1,172,000
3.60	80,000	1,072,000
3.70	85,000	853,000
3.80	90,000	896,000
-	-	839,000
-	-	391,000
-	-	405,000
-	-	220,000
-	-	226,000
-	-	233,000
-	-	240,000
-	-	231,727
	<u>\$ 555,000</u>	<u>\$ 12,857,727</u>

City of Oskaloosa, Iowa

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds  
 Year Ended June 30, 2006

	2006	2005
Receipts:		
Property tax	\$ 3,953,084	\$ 3,635,079
Other city tax	1,631,480	1,735,966
Licenses and permits	226,789	186,466
Use of money and property	201,733	115,941
Intergovernmental	1,318,346	1,285,278
Charges for services	99,772	44,514
Special assessments	4,547	6,080
Miscellaneous	550,252	588,255
<b>Total</b>	<b>\$ 7,986,003</b>	<b>\$ 7,597,579</b>
Disbursements:		
Operating:		
Public safety	\$ 2,187,115	\$ 2,003,707
Public works	911,216	939,256
Culture and recreation	900,014	809,170
Community and economic development	1,584,287	1,586,488
General government	530,248	518,914
Debt service	1,651,904	1,621,126
Capital projects	1,499,891	880,326
<b>Total</b>	<b>\$ 9,264,675</b>	<b>\$ 8,358,987</b>

**City of Oskaloosa, Iowa**

**Miscellaneous Data**

**June 30, 2006**

**(Unaudited)**

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Form of government	Mayor/Council
Area	7.39 square miles
Building permits, fiscal year ending June 30, 2006:	
Permits issued	154
Estimated cost	\$ 9,856,195
Fire protection:	
Number of stations	1
Number of full-time employees	8
Police protection:	
Number of stations	1
Number of full-time employees	17
Recreation:	
Number of parks	5
Number of acres	205
Number of swimming pools	1
Employees of City as of June 30, 2006	184
Schools:	
Public	7
Parochial	1
Population:	
1900	9,212
1910	9,466
1920	9,427
1930	10,123
1940	11,024
1950	11,124
1960	11,053
1970	11,224
1980	10,989
1990	10,600
2000	10,938

City of Oskaloosa, Iowa

Schedule of Disbursements of Federal Awards  
Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Disbursements	Loans Outstanding
<b>U.S. Department of Housing and Urban Development:</b>				
Passed through the Iowa Department of Economic Development:				
HOME Investment Partnership Program	14.239	05-HM-109-69	\$ 42,792	\$ -
<b>U.S. Department of Justice:</b>				
Bulletproof Vest Partnership Grant Act (Direct)	16.607	1121-0235	3,165	-
COPS in School Award (Direct)	16.710	2002SHWX0337	19,931	-
<b>National Highway Traffic Safety Administration:</b>				
Passed through the DPS/Governor's Traffic Safety Bureau:				
Seat Belt Use Incentive Grant	20.604	PAP 05-157 Task 107	1,666	-
Grant to Increase Seat Belt Use	20.604	PAP 06-157 Task 130	1,247	-
<b>U.S. Department of Transportation:</b>				
Federal Aviation Administration:				
Airports Division (Direct)	20.106	3-19-0072-04-2005	291,208	-
Passed Through the Iowa Department of Transportation:				
Surface Transportation Program	20.205	STP-E-5780(609)--8V-62	146,201	-
Surface Transportation Program	20.205	STP-E-5780(612)--8V-62	6,487	-
<b>Environmental Protection Agency:</b>				
Passed through the Iowa Department of Natural Resources:				
Capitalization Grants for State Revolving Fund	66.458	CS19222601	113,833	6,096,451
			<u>\$ 626,530</u>	<u>\$ 6,096,451</u>

\* Loan balance calculated as: Total debt less amount held by Trustee less the sum of amounts held in the sinking, reserve and improvements funds of the Sanitary Sewer Enterprise.

See Note to Schedule of Disbursements of Federal Awards.

**City of Oskaloosa, Iowa**

**Note to Schedule of Disbursements of Federal Awards  
Year Ended June 30, 2006**

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**Basis of Presentation:**

The accompanying Schedule of Disbursements of Federal Awards includes the federal grant activity of the primary government of the City of Oskaloosa, Iowa and is presented on the basis of cash receipts and cash disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The information in this Schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the primary government financial statements.

City of Oskaloosa, Iowa

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2006

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	Comment	Status	Corrective Action or Other Explanation
<b>Reportable Condition:</b>			
05-I-A	Inadequate segregation of duties over cash receipts.	Not corrected	See corrective action plan at 06-II-A.
<b>Findings Related to Required Statutory Reporting:</b>			
05-IV-N	Funds with deficit cash and investment balances.	Not corrected	See corrective action plan at 06-IV-N.

# McGladrey & Pullen

Certified Public Accountants

## **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  
City of Oskaloosa, Iowa

We have audited the accompanying primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oskaloosa, Iowa as of and for the year ended June 30, 2006, and have issued our report thereon dated August 9, 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 primary government of the City of Oskaloosa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the primary government of the City of Oskaloosa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-II-A.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated August 9, 2006.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's primary government financial statements are free of material misstatement, we performed tests of the primary government of the City's compliance with certain provisions of laws, regulations, contracts and grants, 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 noncompliance that are required to be reported under *Government Auditing Standards*.

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 primary government 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 interpretation of those statutes.

We noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
August 9, 2006

# McGladrey & Pullen

Certified Public Accountants

## **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  
City of Oskaloosa, Iowa

### **Compliance**

We have audited the compliance of the primary government of the City of Oskaloosa, Iowa with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. The primary government of the City of Oskaloosa, Iowa's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of the primary government of the City of Oskaloosa, Iowa's management. Our responsibility is to express an opinion on the primary government of the City of Oskaloosa, Iowa'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 Nonprofit 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 primary government of the City of Oskaloosa, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the primary government of the City of Oskaloosa, Iowa's compliance with those requirements.

In our opinion, the primary government of the City of Oskaloosa, Iowa complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended June 30, 2006.

## Internal Control Over Compliance

The management of the primary government of the City of Oskaloosa, Iowa 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 primary government of the City of Oskaloosa, Iowa'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 requirements of laws, regulations, contracts and grants 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 matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
August 9, 2006

City of Oskaloosa, Iowa

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2006

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I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Federal Aviation Administration Airports Division

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2006**

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**II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards:**

1. Reportable Conditions in Internal Control

**06-II-A**

Finding: A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. In gaining an understanding of the City of Oskaloosa, Iowa's internal control system, the following segregation of duties problem was identified:

Condition: The two employees in the City Clerk's office collect cash receipts, record collections and maintain custody of collections until deposit. As a result, the City has an inadequate segregation of duties over cash receipts. The cash receipt system at the pool location does not include effective reconciliation processes such as prenumbered passes, assigned tills and variance procedures.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend segregating the duties of collecting cash receipts and posting them to the general ledger. We recommend implementing procedures at the pool to reconcile admissions to collections.

Response and Corrective Action Planned: This recommendation is accepted. The City will look to realign and reassign duties where practical.

2. Compliance Findings

The audit of the financial statements disclosed no instances of noncompliance that are required to be reported herein under Generally Accepted Governmental Accounting Standards (GAGAS).

**III. Findings and Questioned Costs for Federal Awards**

None

(Continued)

## City of Oskaloosa, Iowa

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

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#### IV. Findings Related to Required Statutory Reporting:

06-IV-A - Official Depositories: A resolution naming official depositories has been adopted by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2006.

06-IV-B - Certified Budget: Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.

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

06-IV-D - Travel Expense: No disbursements of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.

06-IV-E - Business Transactions: Business transactions between the City and City officials or employees are detailed as follows:

Name	Title	Business Connection	Transaction Description	Amount/ Gross	Exemption	Reason
Tim Besco	fire fighter	Besco Electric	electrical work	\$ 152	\$ 152	Chapter 362.5(10)
Tim Nance	fire fighter	S&S Painting	painting	250	250	Chapter 362.5(10)
Marvin Strasser	fire fighter	S&S Painting	painting	250	250	Chapter 362.5(10)
Mark Neff	fire fighter	S&S Painting	painting	250	250	Chapter 362.5(10)
Steve Thomas	golf board member	sole proprietor	mowing services	2,550	1,500	Chapter 362.5(10)
Doug Van Roekel	reserve fire fighter	Van Roekel Appliance	appliance purchases	1,962	1,500	Chapter 362.5(10)

Chapter 362.5 of the Code of Iowa prohibits transactions with a city officer that has an interest, direct or indirect, in any contract or job of work material or the profits thereof or services to be furnished or performed for the officer's or employee's city. A contract entered into in violation of this section is void. The provisions of this section do not apply if the purchases benefiting that officer or employee do not exceed a cumulative total purchase price of \$1,500. The purchases from Van Roekel Appliance went through a competitive bid process and this vendor was the lowest bidder. Of the payments to Steve Thomas, \$1,150 of them were made after he became a golf board member in January of 2006; all of the other payments were made to him prior to becoming a member of the golf board.

06-IV-F - Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

06-IV-G - Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not. The City published the minutes of the Council proceedings as required by Chapter 372.13(6) of the Code of Iowa.

06-IV-H - Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa or the City's investment policy.

06-IV-I - Revenue Bonds: The City established the sinking and reserve accounts required by the sanitary sewer bonds resolution.

06-IV-J - Payment of General Obligation Bonds: General obligation bond payments were paid from the Debt Service Fund in compliance with Chapter 384.4 of the Code of Iowa.

City of Oskaloosa, Iowa

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2006

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06-IV-K - Economic Development: We noted no instances of noncompliance with the public purpose provisions of Chapter 15A of the Code of Iowa pertaining to economic development.

06-IV-L - Notice of Public Hearing for Public Improvements: We noted no instances of noncompliance with the Chapters 384.102 and 362.3 of the Code of Iowa.

06-IV-M - Sales Tax: We noted no instances of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

06-IV-N - Financial Condition: The City operates on the basis of cash receipts and cash disbursements; therefore, fund balances are not applicable. However, the following funds had a deficit balance as of June 30, 2006:

Special revenue, Tax Increment	(22,208)
Capital projects:	
Edmundson Pool Renovation Project	(112,336)
Downtown Streetscape Project	(35,659)
Industrial Park Street Project	(16,841)
2006 G.O. Bonds	(15)
Enterprise:	
Edmundson Golf Course	(34,131)
Stormwater	(11,956)

**Recommendation:** The City should investigate alternatives to eliminate the deficits in order to return the funds to sound financial position.

**Response:** The deficit balances will be eliminated with revenues from bond proceeds, taxes and grants in future years. For the Edmundson Golf Course, the Golf Board is investigating the current rate structure to offset the losses in the next two to three years and, in addition, has reduced spending. The Stormwater Fund is a new fund in fiscal year 2006 and the deficit cash balance is expected to be eliminated in future years.

**Conclusion:** Response accepted.

City of Oskaloosa, Iowa

Corrective Action Plan  
Year Ended June 30, 2006

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
06-II-A	Inadequate segregation of duties over cash receipts.	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	June 2007	Marilyn Miller City Clerk/ Finance Director
06-IV-N	Several funds had a deficit balance at year-end.	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	June 2007	Marilyn Miller City Clerk/ Finance Director

# McGladrey & Pullen

Certified Public Accountants

To the Honorable Mayor and  
Members of the City Council  
City of Oskaloosa, Iowa  
Oskaloosa, Iowa

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the City of Oskaloosa, Iowa for the year ended June 30, 2006. These items are offered as constructive suggestions to be considered as part of the ongoing process of modifying and improving the City's practices and procedures.

## Edmundson Pool

The cash receipts system of the Edmundson Pool does not have effective reconciliation processes. We noted the following:

- The pool does not have a procedure for calculating the number of people that enter the pool that is independent of the employee at the admissions counter. We recommend the pool purchase a turnstile or implement a counter system that would provide an independent count of the number of patrons using the pool and allow for a reconciliation of passes used to the number of people.
- The pool sells punch cards for ten day passes. These punch cards are not prenumbered or monitored by an individual independent of admissions. In order to strengthen the internal controls over the cash receipts for the pool, we recommend the punch cards be prenumbered and someone independent of the person maintaining control over the punch cards monitor their sequence. The person who is responsible for the punch cards should retain them in a secure location.
- Even though the system at the pool requires an employee login for the cash drawers, several employees are using the same cash drawer throughout the day. Therefore, it is not possible for management to assign transactions to a particular employee. A key control to implement is assigning cashiers to the tills. The cashier should count the drawer in the morning prior to the first transaction to ensure the drawer contains the proper balance. At the end of the shift, the cashier should count the drawer again and perform a close-out process including the printing of the closeout tape. The cashier should be aware that the drawer is their responsibility throughout the shift and he or she will be held accountable for the differences.
- We selected eight days from the 31 days the pool was open in fiscal year 2006. Of the eight days tested, three days had variances greater than \$10 that were not resolved. Every day had variances between reports.

This letter is intended solely for the information and use of the Mayor and Members of the City Council and management and others within the City and is not intended and should not be used by anyone other than those specified parties. We appreciate serving the City of Oskaloosa and would be happy to assist you in addressing and implementing any of the suggestions of this letter.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
August 9, 2006