

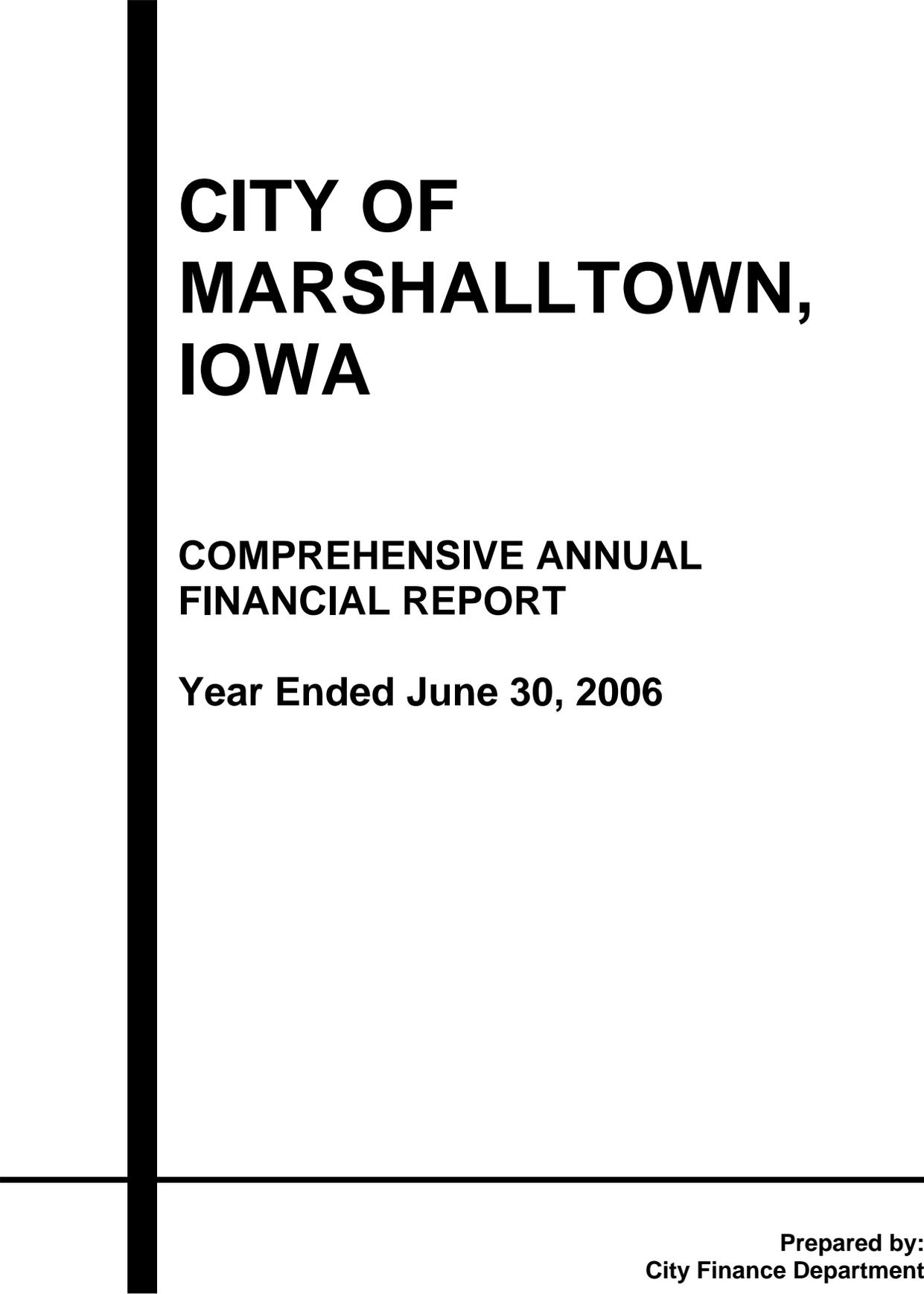
CITY OF MARSHALLTOWN IOWA

COMPREHENSIVE ANNUAL FINANCIAL

REPORT



Year Ended June 30, 2006



CITY OF MARSHALLTOWN, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006

**Prepared by:
City Finance Department**

CITY OF MARSHALLTOWN, IOWA

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INTRODUCTORY SECTION



City of Marshalltown
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Richard Hierstein, City Administrator
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October 23, 2006

Mayor Beach,
Members of the City Council and
Citizens of Marshalltown, Iowa:

In accordance with Chapter 11 of the Code of Iowa, I hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Marshalltown, Iowa, (City) for the fiscal year ended June 30, 2006. The accuracy of data, and the completeness and fairness of the presentation, including all disclosures, is the responsibility of the City management. To the best of our knowledge and belief, the enclosed data accurately, and in all material respects, are reported in a manner that presents fairly the financial position and results of operations for the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Also included is information required to fulfill SEC disclosure regulations and bond covenants as it pertains to bonds held by the City of Marshalltown.

The CAFR is organized into the four sections: Introductory, Financial, Statistical and Compliance.

1. The introductory section, which is unaudited, includes the table of contents, this letter, a copy of the Certificate of Achievement for Excellence in Financial Reporting awarded for the FYE 05 CAFR, an organizational chart and a listing of principal elected and appointed officials.
2. The financial section includes the independent auditor's report, the management's discussion and analysis (MD&A) of the City's financial activities, the basic financial statements, the combining and individual fund financial statements, schedules and supplementary information.
3. The statistical section of the report, which is also unaudited, includes statistical information pertaining to the City's financial condition and operations, generally presented on a multi-year basis. This section has been expanded in an effort to comply with GASB (Government Accounting and Standards Board) Statement Number 44. Also included in this section are schedules required for bond covenants and SEC compliance.
4. The fourth section of the report provides the information needed to comply with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the independent auditor's reports, the schedule of expenditures of federal awards (SEFA), and the schedule of findings and questioned costs, are included in the compliance section.

The City of Marshalltown's financial statements have been audited by Eide Bailly LLP of Dubuque, IA, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2006 are free of material misstatement. The independent audit involved examining, on

a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Marshalltown's financial statements for the fiscal year ended, June 30, 2006 are fairly presented in conformity with GAAP.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City was incorporated July 27, 1863 under the laws of the State of Iowa, later amended on June 16, 1975 under the City Home Rule Act. The City operates under a mayor-council form of government. Setting policy and legislative authority are vested in the seven member council. The City Council is responsible for passing ordinances and resolutions, adopting and amending the budget, appointing committees and hiring the City Administrator as provided by ordinance. The Mayor and Council are elected on a non-partisan basis. Beginning November 1997 the elections are on a four year staggered term rotation, allowing continuity within the membership. Four of the council members are elected from within their respective districts. The mayor and the three remaining council members are elected at large. The City Administrator, hired by the City Council is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and for hiring the City Clerk and department managers.

The City provides police, fire, traffic safety, culture, recreation, community development, public works, sewage collection and disposal, compost facility, a transit system, municipal parking lots, and various housing programs as authorized by its charter. The library is overseen by a board of directors and included in the operations of the general fund. 911 Communications are administered by a 911 Commission, which uses an agreement allowed by Chapter 28 of the Code of Iowa and is included in this report. The water distribution system, administered by an independent utility board of trustees, and the Convention and Visitors Bureau, administered by a board of directors, are included as component units of the City. The Marshalltown School District and East Marshall School District are administered by independent and autonomous boards created and elected under the authority of the Code of Iowa, are legally separate and are fiscally independent of the state and other local governments. The school districts' financial statements are, therefore, not included as part of the City's financial report. However, the county and school district overlapping debt is displayed in the statistical schedules.

The annual budget serves as the foundation for the City of Marshalltown's financial planning, development and control. The budget is adopted as one document containing two components, the capital and operating budget. The capital budget includes all projects and assets acquisitions in excess \$5,000. All City departments are required to submit appropriation requests to the finance department during the fall of each year. Revenue estimates and expenditure requests are verified for availability and compatibility with Council goals and policies. The City administrator then uses this analysis for developing a proposed budget. The proposed budget is presented to the Council for review during January. The Council is required to hold at least one public hearing on the proposed budget and to adopt a final budget before March 15. The legally adopted budget is prepared by function (e.g., Public Safety, Public Works, Capital Projects etc). Department managers may make transfers of appropriations within the department. The transfer of appropriations between functions, however, requires a public hearing and approval by the City Council prior to exceeding the published function budget. Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 73-75 as part of the required supplementary information.

ECONOMIC CONDITION AND OUTLOOK

The local economic outlook is very positive based upon the initiatives listed later in this letter. The lack of affordable housing stock, new rentals being developed and strong retail sales also point to a stable regional economy. Unemployment is low, and skilled workers are in demand statewide. Civic leaders have undertaken some long range planning to capitalize on this positive momentum.

One of the indicators that Marshalltown is further developing as a regional medical center was the announcement by Marshalltown Medical and Surgical Center of a collaboration with the Iowa Heart Center to build a Cardiac Catheterization Lab. This facility will be constructed on the MMSC campus, at the east end of Main Street by late summer 2007. This facility will bring additional physicians and other professionals to the community to service the community.

The Local Option Sales Tax (LOST); which began April 1, 2000 was extended for another ten years in early 2004. The original ballot language required 20% of the LOST for the storm sewer, 5% for cash flow reserves and 75% designated for property tax relief. The 2004 ballot changed the 5% to be designated by the City Council for any legal purposes and the 20% to be designated for storm sewer and other capital projects. The LOST generated over \$2.6 million tax collected and interest earned during this year demonstrating stability in the retail sector. George Butler and Associates completed a five year study on the condition of the storm sewer system, created a status and location database, and prepared estimates for repair and reconstruction. Over \$13.6 million in pent up repairs were identified. Staff has prepared a priority policy putting public safety at the forefront for scheduling future projects. The 75% property tax relief portion of the LOST was applied during preparation of the budget for fiscal year 2005-2006, reducing the tax levy by \$3.08/ \$1,000 of taxable valuation. The Council's discretionary designation for this year went to the Westwood Drive project (\$67,428) and the City's portion of a special assessment project on Washington Street (\$16,764) eliminating some external project financing and the associated interest expense.

The School Infrastructure Local Option (SILO) Sales Tax, passed in 2004, was designated to buy down the \$25,000,000 infrastructure bonds. Most of the schools to undergo restructuring have been completed to the extent that students have relocated to the new facilities. Completion of the construction is anticipated within the next year. Restructuring the physical plants allowed the district to diversify the population at the junior high schools by grade level rather than residency location. Before these changes, the blend of the two junior high schools was done in the high school 9th grade. This earlier diversification strengthens the Marshalltown School Districts goals of ethnic and economic blending and compliance with the federally mandated "No Child Left Behind" program.

MAJOR INITIATIVES

During this fiscal year, RDG Planning & Design of Des Moines completed the Marshalltown City Center Plan. The plan, commissioned as a joint venture between the City and various business leaders, conducted a survey, site visits, focus groups, task force planning and many community wide public meetings to collect community input. The Marshalltown City Center Plan presented an ambitious and varied program for enhancing the City's center. The plan emphasized "Marshalltown has invested substantial private and public resources in the past in development in its downtown district. These have included public investments in the Main Street streetscape, Aquatic Center and Coliseum. The City has also benefited from major private investments and gifts such as the Fisher Community Center and the Community Y recreation complex, all of which contribute to the quality of life of the community. In addition, the City is supporting downtown revitalization efforts through the local Main Street Program. The City has also taken advantage of other financing mechanisms for capital projects that can also have an impact on downtown development." ... "Critical priority projects include building a new library, enhancing the streetscape and intersections adjacent to the library, remodeling the Iowa Wholesale Supply building for market rate housing, and acquiring and redeveloping the building adjacent to the Iowa Wholesale Supply building for parking and a park."

And those plans are being executed already! In April 2006 the focus of the Marshalltown Friends of the Library changed with the 70% voter approval on a general obligation bond referendum to build a new library. The referendum allowed not more than \$5,000,000 in bonds to be sold for the project, creating a challenge to raise the other \$4 million to construct the facility. Fisher-Emerson donated property to the City for the new library site on the provision that the referendum pass and the funds could be raised. As an additional incentive, Fisher Emerson gave a \$250,000 challenge grant for the project. Fund raising efforts have been very favorable. The last \$600,000 to be raised must be completed by the end of 2006 for the project to receive \$1.2 million from the Vision Iowa Grant awarded in October 2006. As of the writing of this report, all other necessary property has been secured and sanitary and storm sewer modifications are being designed.

In September 2006 an Iowa Valley Community College \$35 million referendum passed with a 63% approval. This again demonstrates the community's desire to improve educational and cultural facilities within the community. The Marshalltown City Center will be one of the beneficiaries of this referendum. The Orpheum Theatre located at the eastern end of Main Street was saved from demolition by a not-for-profit organization. Negotiations are now underway for this facility to be used by the college for theatrical education, productions, set construction and storage.

City staff is negotiating with various developers concerning some of the other building projects targeted in the plan. Most of these projects will bring additional residential units to the downtown area, improving currently underutilized properties. Design work is also underway for many of the walkways, terraces and green spaces in the City Center Plan.

OTHER INFLUENCING FACTORS

Construction and major "spruce ups" during this year continue to look encouraging. Reflecting the national trend of new housing starts being down, there is still steady activity in Marshalltown. During fiscal year 05-06 the residential assessment rollback, however, continues to increase the exemption to an extent that little if any growth is added to the tax base. The City continues to struggle to deliver services without financial support to sustain them.

Assessment Roll-Back. During the 1980's, the state legislature limited the value growth by class to 4% statewide and linked or coupled agricultural and residential values so that neither class could increase at a greater percentage than the other. Even though the residential values have increased steadily, agricultural values have not. This rollback factor continues to shift the burden for the payment of services onto our businesses and industries. The 10% equalization order imposed on commercial and industrial property exasperates this shift. The table below demonstrates the magnitude of roll back by property classification.

Fiscal Year	Residential	Agricultural	Commercial	Industrial	Utility
05-06	47.9642	100.	100.	100.	Excise tax
04-05	45.9960	100.	99.2574	100.	Excise tax
03-04	47.9642	100.	100.	100.	Excise tax
02-03	48.4558	100.	97.7701	100.	Excise tax
01-02	51.3874	100.	100.	100.	Excise tax
00-01	51.6676	96.338	98.7732	100.	Excise tax
99-00	56.2651	100.	100.	100.	Excise tax
98-99	54.8525	96.4206	97.3606	100.	100.
97-98	56.4789	100.	100.	100.	100.
96-97	54.9090	100.	97.2824	100.	100.
95-96	58.8284	100.	100.	100.	97.209
94-95	59.3180	100.	100.	100.	100.
93-94	67.5074	100.	100.	100.	100.

The Utility Replacement Tax (URT) also known as the Excise Tax, is another factor shifting the property tax payment for services. In 1998, the Iowa legislation replaced the centrally assessed property tax on utilities with an excise tax based on the generation, transmission and distribution of electricity and natural gas. An assessed value of utility property is still used to calculate bonding capacity. This fiscal year also bore the burden of reduced revenues (-7%) from the Utility Replacement Tax, the result of a lawsuit over the valuations of the Alliant Energy properties within Iowa.

Section 42, another factor shifting the property tax liability was enacted by the state legislature last year, known as Iowa Code Section 42. This provision changes the calculation of privately held rental residential units that qualify for federal tax credits. These units previously classified as commercial can now be classified as residential (enjoying the rollback factor) in part influenced by the profitability of the units.

Capital Improvement Project (CIP) levy is a type of property tax revenue used for the repair and replacement of capital items, approved in 1999. This Capital Improvement levy generates up to \$380,000 per year. Use of this levy allows a number of things: 1) capital equipment and building maintenance on a routine, planned basis, 2) avoids or eliminates the use of debt capacity for capital equipment and building maintenance, 3) avoids or eliminates interest expense for capital equipment and building maintenance 4) allows more flexibility for operations within the general fund. By resolution, the City Council voted to set aside 15% of the annual capital improvement levy for large capital items such as fire engines. This reserve normally displayed in the Capital Project fund type in these reports was used in part during 2005-2006 to purchase the next fire engine. To better manage the resources generated by the levy, all departments must now prepare at least a five year capital needs plan for Council approval.

Hotel/Motel Tax is imposed upon the occupancy of local hotel and motel units. In Marshalltown the 5% rate was imposed in 1991. In December 2005 the citizens approved an increase in this tax to 7%. The tax is used to promote tourism and convention activity within the community and through the Convention and Visitor's Bureau (CVB), a component unit of the City. The agreement with the CVB was amended changing the split ratio with the City. The agreement beginning July 2006 is reflected below:

75% to be used by the CVB for fiscal year 06-07
74% to be used by the CVB for fiscal year 07-08
73% to be used by the CVB for fiscal year 08-09
72% to be used by the CVB for fiscal year 09-10
71% to be used by the CVB for fiscal year 10-11

Additionally, the Council designated 15% of all annual revenue generated be earmarked for a special project.

Special Assessments have been used on three capital street projects during this fiscal year demonstrating a change in cost sharing between the City and citizens that directly benefit from the street improvements. This has allowed the City to reduce the dependence on debt to fund street projects.

INTER-GOVERNMENTAL COOPERATION

A monthly meeting of the management of each of the governmental bodies continues for its twelfth year. Discussions at these meetings allow informal discussions on changes in the community and their impact on each agency in the areas of taxation, GIS mapping, data processing, zoning, demographics, safety and transportation. Many of these managers also travel to Washington DC with the Chamber of Commerce and MEDIC (Marshall Economic Development Impact Committee) to explore available programs and funding assistance. Joint

City and County Sheriff grants during this year secured funding for the task force officers. This year security equipment was placed at Marshalltown Community College and the high school.

The County Board of Supervisors still meets with the City Council on a quarterly basis to continue management's involvement in intergovernmental cooperation and efficiencies. This year the direct benefits from these meetings were the discussions on the timing of events and cost sharing for Highland Acres road improvements and intended projects for tax increment financing. The City completed a three year HUD Lead Abatement Grant awarded in 2003. This \$1,999,388 grant reduced the City's high incidents of lead poisoning amongst early elementary aged children. The purchase of a "safe" house and a leased facility provide a wholesome environment for families while their homes are abated of lead hazards. This project was funded in part due to the coordination of agencies: the City's Housing and Inspection divisions, Marshalltown Medical and Surgical Center, the Martha Ellen Tye Foundation, Wells Fargo Bank, the Iowa Department of Human Services and the Iowa Department of Health. By the end of the program late in 2005 more than 100 homes and rental units were completed.

Due to the high number of children in the area still exposed to these lead hazards, the City secured a second grant. The success of the first grant and the collaboration of many local, state and federal agencies displayed the City is capable of multi-jurisdictional administration. The second grant branches into the County, again demonstrating the City's impact as a regional hub for medical and housing needs.

The consolidated Public Works Facility campus, completed and inhabited in November 2003, was again a construction site as a new salt mixing and storage facility was constructed. With the completion of the facility, the City closed the bond anticipation notes (BANS). The early redemption of the BANS saved the community \$36,933.

FINANCIAL INFORMATION

The management of the City is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits require estimates and judgments by management. Internal controls have been established within the finance department and are evaluated to provide adequate control based on resources available. Management continues to modify internal controls to meet changing needs and recommendations by the external auditors.

The City maintains its daily financial records and budget on a cash basis method of accounting. The accounting records for governmental operations and agency funds are converted to the modified accrual basis at the end of the fiscal year. Similarly, the enterprise, internal service, and pension trust fund are converted to the accrual basis of accounting. The fund balances on an accrual basis of accounting vary from the fund balances based on cash receipts and disbursements in that the latter reflect only moneys "on hand" that are available for spending.

Compliance Audit. As a recipient of federal and state financial assistance, the City also is responsible for ensuring that adequate internal controls are in place for compliance with applicable laws, regulations, contracts and grants related to those programs. Internal controls are subject to periodic evaluation by management and the external audit staff of the City.

As a part of the City's compliance audit, described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal financial assistance

programs, and the state programs determined under the same criteria, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's independent auditor's results for the fiscal year ended June 30, 2006, disclosed no reportable conditions in internal control over the major programs. All findings and comments can be found in the Schedule of Findings and Questioned Costs in the Compliance Section of this report.

Cash Management. Cash temporarily idle during the year can be invested in demand deposits, certificates of deposits, commercial paper rated AAA or above, obligations of the U.S. Treasury or an investment pool. The investment pool utilized by the City was the IPAIT (Iowa Public Agency Investment Trust); which invests primarily in U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U.S. Government. Investment of City funds are restricted by state statute and local policy. All investments of the primary government are directly held and managed by the City Finance Director with co-authority of the City Administrator. An Investment Advisory Committee of financial specialists from within the community continue to review all investment activity on not less than a quarterly basis, again insuring the investment vehicles are diversified, staggered to meet cash flow needs, and with minimal risk exposure. The maturities of investments generally range from 30 days to 3 years. Due to the competitive bidding and the change in the investment market, deposits in money market accounts has given way to more certificate of deposits, producing better returns than in the previous year. The City earned \$667,462 in interest revenue on investments this year compared to \$287,116 in 04-05.

Risk Management. The City is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; worker's compensation; and health care of its employees. Through the insurance bidding process, the City began participation in the Iowa Cities Assurance Pool in 2004. This is an intergovernmental organization created to secure affordable insurance to municipalities and counties with similar risk exposures. During this same bidding process, the City moved its worker's compensation coverage to the Iowa Worker's Compensation Association. Strategic planning of worker's compensation cases including medical case management, supervisory/employee relations, transitional work and litigation management has been incorporated into the City's risk management program. The cost vs. benefit analysis done in conjunction with the 2004 insurance bidding process demonstrated that the medical only coverage for work related injuries for the police and fire personnel should be in a self insured program. Today the City has seen favorable results from this change. More details on the risk management can be found in the Notes to the Financial Statements found later in this report.

The City's self-funded health insurance also promotes safety and wellness through preventative incentives, publications and various activities. Third party coverage insures a stop loss limit of \$80,000 minimizing catastrophic exposure to losses. The Group Health Advisory Committee, made up of City employees and support staff, was formed to examine the City's self-administered insurance program. The committee continues to implement and monitor changes to the coverage of the group. Participation in the IRS Section 125 Cafeteria Plan, disability insurance, voluntary life insurance, drug discounts and wellness programs have substantially increased. Beginning in January 1998, a self-funded Preferred Provider Organization (PPO) plan was offered as an alternative to increased premiums. Provider discounts and favorable experience with claims positively impacts the City through available cash balances in the internal service fund and managed tax asking supporting the City's portion of the premium. Cost containment measures and claim review continue to improve control over excessive claims. There is, however, concern over the growth in prescription drug expenses. In January of 2006, premiums for the program increased 7% reflecting the City's inability to fight off national trends. Other plan changes increased the stop loss coverage to \$80,000. Many deductibles were increased in an effort to control cost. Cash balances decreased modestly due to the relatively high claims experience during the third quarter of this year. This trend seems to be the exception, however, and funding levels are being closely monitored.

Postemployment benefits. The City of Marshalltown provides postemployment health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 62 employees receiving these benefits, which are financed on a pay-as-you-go basis. As of the date of this report, GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. The City is preparing for future reporting changes required by GASB in this area.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. Eide Bailly LLP of Dubuque, IA was selected by the City Council for a five year engagement. In addition to meeting the requirements of state statutes, the audit is designed to meet the requirements of U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The auditors conducted the audit using generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards*. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws, regulations, contracts, and grants are included in the Compliance Section.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the years ending June 30, 1990, and consecutively 1993 through 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. Improving the financial and economic outlook and stability for Marshalltown is a cooperative effort from local leaders and individuals in the private and public sector. That vision and the fiscal management of the City directly contribute towards the financial health of the City government. The City's progress in this past year continues to position the City for positive future growth. Ongoing collaboration between the taxing agencies in the area also strengthens the economy, delivery of services, availability of arts, culture and recreation, regional medical services and a reasonable cost of living.

Particular acknowledgment must be given to City employees in their efforts to improve delivery of services to the citizens of Marshalltown. Steadfast, persistent and loyal in their pursuit, the employees strive to make Marshalltown a strong and safe regional center for education, health, businesses and recreation. The dedicated service of the finance department with assistance from many department staff, other agencies and organizations is needed to culminate information into this report. Special appreciation should be directed to the Accounting Manager, Lori Stansberry, CPA, for her dedicated service in the preparation of the comprehensive annual financial report.

Richard Hierstein
Administrator

Cindy R. Kendall
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Marshalltown,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



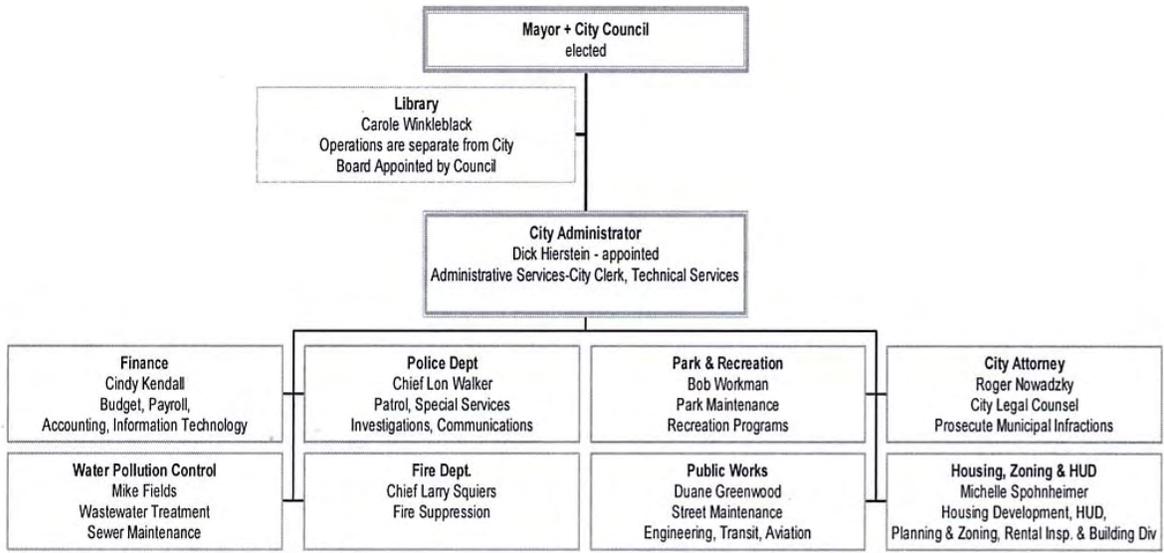
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

Marshalltown Organizational Chart 2006



CITY OF MARSHALLTOWN, IOWA
OFFICIALS
JUNE 30, 2006

Name	Title	Term Expires
Elected officials:		
Gene Beach	Mayor	December 31, 2009
Bethany Wirin	Mayor Pro-Tem	December 31, 2009
Laurel Phipps	Council Member	December 31, 2007
Robert Schubert	Council Member	December 31, 2009
Jeff Linton	Council Member	December 31, 2007
John Cahill	Council Member	December 31, 2007
Robert Wenner	Council Member	December 31, 2009
Marla Grabenbauer	Council Member	December 31, 2009
Council-appointed officials:		
Dick Hierstein	City Administrator	October 30, 2007
City Administrator Appointment with Council Approval:		
Roger Nowadzky	City Attorney	Indefinite
Shari Coughenhour	City Clerk	Indefinite
Cindy R. Kendall	Finance Director	Indefinite
Larry Squiers	Fire Chief	Indefinite
Michelle Spohnheimer	Housing Director	Indefinite
Robert Workman	Park and Recreation Director	Indefinite
Lon Walker	Police Chief	Indefinite
John Phillips	Public Facilities Superintendent	Indefinite
Duane Greenwood	Public Works Director	Indefinite
Mary Rund	Technical Services Coordinator	Indefinite
Mike Fields	Water Pollution Control Director	Indefinite

FINANCIAL SECTION



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Marshalltown. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau, is based on the reports of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 14 through 32, Marshalltown Water Works Supplemental Retirement Pension System Schedule on page 72, and budgetary comparison information on pages 73 through 75 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Marshalltown, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Marshalltown. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Dubuque, Iowa
October 23, 2006

Management's Discussion & Analysis (MD&A)

As management of the City of Marshalltown, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Marshalltown for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-8 of this report. The City continues to add more comparison tables and graphs to the MD&A showing major variances in dollars and percent.

Financial Highlights of Primary Government

- Assets of the City of Marshalltown exceeded its liabilities at the close of the most recent fiscal year by \$54,935,281 (*net assets*) as compared to \$52,191,650 in the prior year.
- The City's total net assets increased by \$2,743,631. This increase is attributable to the reduction in Public Works expenses and related debt while increasing the investment in capital assets net of related debt. Other factors include the increase of accounts and unbilled usage (increase in Sewer fees), additional federal grants for transit acquisition of buses and the increased rate of return on investment earnings.
- As of the close of the current fiscal year, the City of Marshalltown's governmental funds reported combined ending fund balances of \$10,314,442 an increase of \$656,583 in comparison with the prior year. This modest increase can be attributed primarily to the increase reserved fund balance to be used within the next two years to average out 1) the tax increment captured for debt repayments and 2) street project funding originally scheduled for 05-06 which was delayed when grant funding was made available in a future year.
- \$4,858,382, an increase of \$735,440 over last year's ending balance is available for spending at the City's discretion (*unreserved undesignated fund balance*). The Road Use Tax fund balance, for example, will be reduced over the next two years as larger resurfacing projects can be scheduled.
- At the end of the current fiscal year, the unreserved undesignated fund balance for the general fund was \$952,259, an increase of \$122,389.
- The City's total debt decreased by \$1,041,178 during the current fiscal year. This change reflects the net change from the retirement of existing bonds and issuing \$1.5 million for capital street projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Marshalltown's basic financial statements. The City of Marshalltown's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Transmittal Letter, submitted as part of the overall report, gives general information about the government and economic spirit of the community.

Comparative data is now available for a more comprehensive discussion of the City of Marshalltown's change in net assets. The City has adopted four provisions of GASB within this report: Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries; Statement No. 44, Economic Condition Reporting: The Statistical Section, Statement No. 46, Net Assets Restricted by Enabling Legislation and Statement No. 47, Accounting for Termination Benefits.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Marshalltown's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Marshalltown's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Marshalltown is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Marshalltown that are principally supported by taxes and intergovernmental revenues (*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 Marshalltown include general government, public safety, public works (roads, utilities and traffic controls), health and social services, parks and recreation, library and employee insurance. The business-type activities of the City of Marshalltown include compost, concessions, storm sewer, water pollution control and transportation activities.

The government-wide financial statements include the City of Marshalltown itself (known as the *primary government*) and also a legally separate Water Works and Convention and Visitors Bureau for which the City of Marshalltown is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 33-35 of this report.

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 Marshalltown, 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 of Marshalltown can be divided into three categories: governmental, proprietary and fiduciary.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Marshalltown maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. Major funds include General, Road Use Tax, HUD Programs, Local Option Sales Tax, Tax Increment Financing, Property Tax, Debt Service, Public Works, and Other Projects Funds. Data from the other seven

non-major governmental funds are combined into a single, aggregated presentation in the governmental funds financial statements. Individual fund data on each of the non-major governmental funds is provided in the form of *combining statements* in the supplementary information section.

The City of Marshalltown adopts an annual appropriated budget for all funds as required by state statute. In Iowa, budgetary compliance is at the function level, transcending fund level accounting as demonstrated in this report. Budgetary comparison statements have been provided for the governmental and enterprise/proprietary fund levels. This comparison demonstrates the City's compliance with state requirements.

The basic governmental fund financial statements can be found on pages 36-39 of this report.

Proprietary funds. The City of Marshalltown maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Marshalltown uses enterprise funds to account for its Storm Sewer, Water Pollution Control, Compost, Transit and Concession activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Marshalltown's various functions. The City of Marshalltown uses internal service funds to account for its insurance operations. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the supplementary information section of this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Storm Sewer, Water Pollution Control and Non-major Enterprise funds, namely, Compost, Transit and Concession activities. The basic proprietary fund financial statements can be found on pages 40-44 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* available to support the City of Marshalltown's own programs. The most significant fiduciary fund maintained by the City of Marshalltown is the payroll fund; which records the taxes collected for other taxing jurisdictions within the City of Marshalltown. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statements can be found on pages 45 and 46 of this report.

Notes to the 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 notes to the financial statements can be found on pages 47-71 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental and proprietary funds is presented immediately following the required supplementary information (RSI). Combining and individual fund statements and schedules can be found on pages 76-85 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Marshalltown, assets exceeded liabilities by \$54,935,281 at the close of the most recent fiscal year.

By far, the largest portion of the City of Marshalltown's net assets \$38,983,517 reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The City of Marshalltown used these capital assets to provide services to citizens; consequently, these

assets are not available for future spending. Although the City of Marshalltown's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MARSHALLTOWN NET ASSETS

June 30, 2006

Governmental Activities

	FY 2005-06	FY 2004-05	Increase (decrease)
Current and other assets	\$ 20,677,455	\$ 19,329,044	\$ 1,348,411
Capital assets	33,287,545	31,667,454	1,620,091
Total Assets	<u>53,965,000</u>	<u>50,996,498</u>	<u>2,968,502</u>
Current and other liabilities	9,161,816	8,568,289	593,527
Long-term liabilities outstanding	22,863,267	23,075,643	(212,376)
Total Liabilities	<u>32,025,083</u>	<u>31,643,932</u>	<u>381,151</u>
Net assets:			
Invested in capital assets, net of related debt	10,902,193	9,538,473	1,363,720
Restricted	2,465,406	1,401,272	1,064,134
Unrestricted	8,572,318	8,412,821	159,497
Total Net assets \$	<u>\$ 21,939,917</u>	<u>\$ 19,352,566</u>	<u>\$ 2,587,351</u>

Business-type Activities

	FY 2005-06	FY 2004-05	Increase (decrease)
Current and other assets	\$ 5,276,462	\$ 5,127,915	\$ 148,547
Capital assets	35,013,324	35,769,451	(756,127)
Total Assets	<u>40,289,786</u>	<u>40,897,366</u>	<u>(607,580)</u>
Current and other liabilities	191,547	216,946	(25,399)
Long-term liabilities outstanding	7,102,875	7,841,336	(738,461)
Total Liabilities	<u>7,294,422</u>	<u>8,058,282</u>	<u>(763,860)</u>
Net assets:			
Invested in capital assets, net of related debt	28,081,324	28,091,451	(10,127)
Restricted	1,382,713	1,285,042	97,671
Unrestricted	3,531,327	3,462,591	68,736
Total Net assets \$	<u>\$ 32,995,364</u>	<u>\$ 32,839,084</u>	<u>\$ 156,280</u>

	Total Net Assets		
	FY 2005-06	FY 2004-05	Increase (decrease)
Current and other assets	\$ 25,953,917	\$ 24,456,959	\$ 1,496,958
Capital assets	68,300,869	67,436,905	863,964
Total Assets	94,254,786	91,893,864	2,360,922
Current and other liabilities	9,353,363	8,785,235	568,128
Long-term liabilities outstanding	29,966,142	30,916,979	(950,837)
Total Liabilities	39,319,505	39,702,214	(382,709)
Net assets:			
Invested in capital assets, net of related debt	38,983,517	37,629,924	1,353,593
Restricted	3,848,119	2,686,314	1,161,805
Unrestricted	12,103,645	11,875,412	228,233
Total Net assets	\$ 54,935,281	\$ 52,191,650	\$ 2,743,631

A portion of the City of Marshalltown's net assets (\$3,848,119) represents resources that are subject to external restrictions. Prior year comparison shows \$2,686,314, an increase of \$1,161,805. The remaining balance of unrestricted net assets (\$12,103,645) may be used to meet the government's ongoing obligations to citizens and creditors. This is a slight increase in available net assets over 2004-2005. At the end of the current fiscal year, the City of Marshalltown is able to report positive balances in all three categories of net assets, governmental, business-type activities, and the total government as a whole.

The following is a more detailed review of the years' operation.

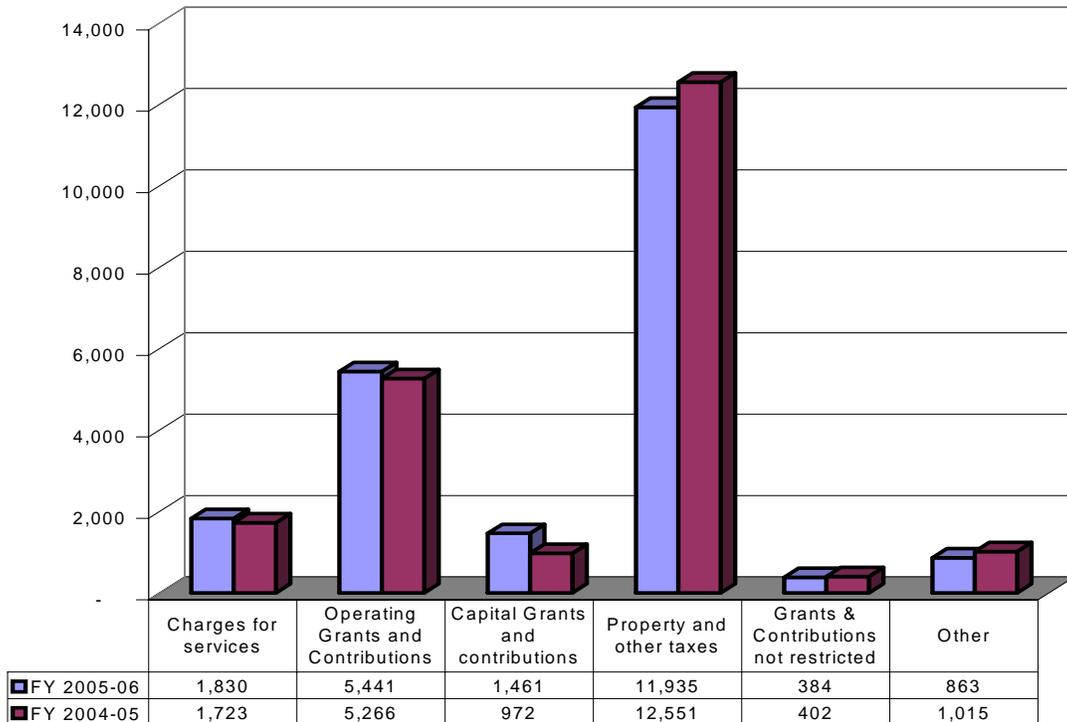
City of Marshalltown Changes in Net Assets

	Governmental Activities		
	FY 2005-06	FY 2004-05	Increase (decrease)
Revenues:			
Program Revenues:			
Charges for services	\$ 1,829,997	\$ 1,723,015	\$ 106,982
Operating Grants and Contributions	5,440,505	5,265,563	174,942
Capital Grants and contributions	1,461,418	971,519	489,899
General Revenues			
Property and other taxes	11,934,949	12,551,303	(616,354)
Grants & Contributions not restricted to specific programs	383,643	401,992	(18,349)
Other	863,196	1,015,499	(152,303)
Total Revenues	21,913,708	21,928,891	(15,183)

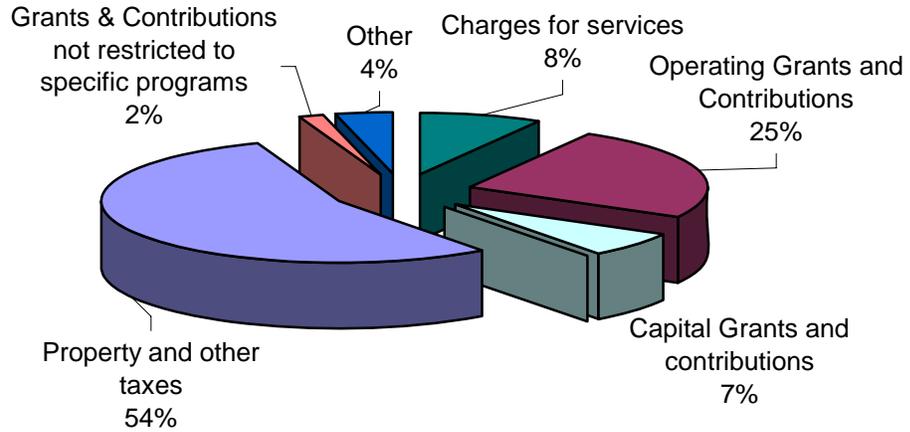
Expenses:

Public safety	7,343,575	6,718,838	624,737
Public works	3,938,080	4,975,532	(1,037,452)
Health and social services	1,361,077	1,336,175	24,902
Culture and recreation	2,893,559	2,356,111	537,448
Community and economic development	1,694,889	1,743,784	(48,895)
General government	1,028,482	975,510	52,972
Interest on long term debt	921,460	1,037,688	(116,228)
Total expenses	19,181,122	19,143,638	37,484
Increase (decrease) in net assets before transfers	2,732,586	2,785,253	(52,667)
Transfers	(145,235)	(120,380)	(24,855)
Increase (decrease) in net assets	2,587,351	2,664,873	(77,522)
Net Assets - beginning of year	19,352,566	16,687,693	2,664,873
Net assets - end of year	\$ 21,939,917	\$ 19,352,566	\$ 2,587,351

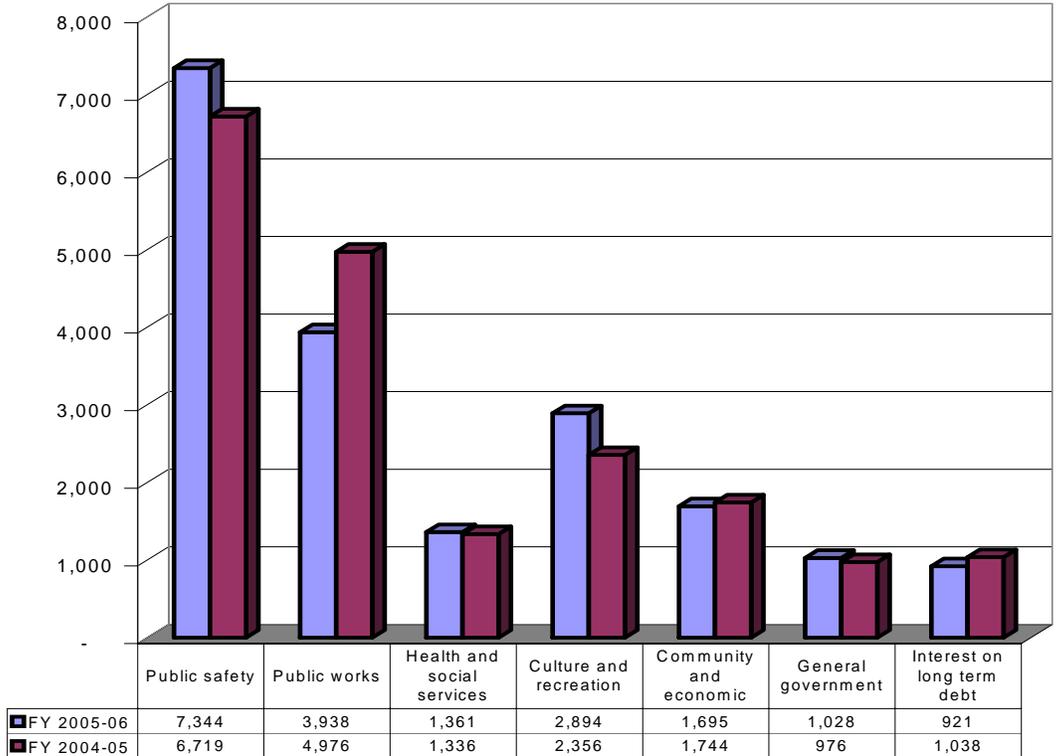
City of Marshalltown's Changes in Net Assets
Governmental Activities 2006 Revenues
(Stated in \$1,000s)



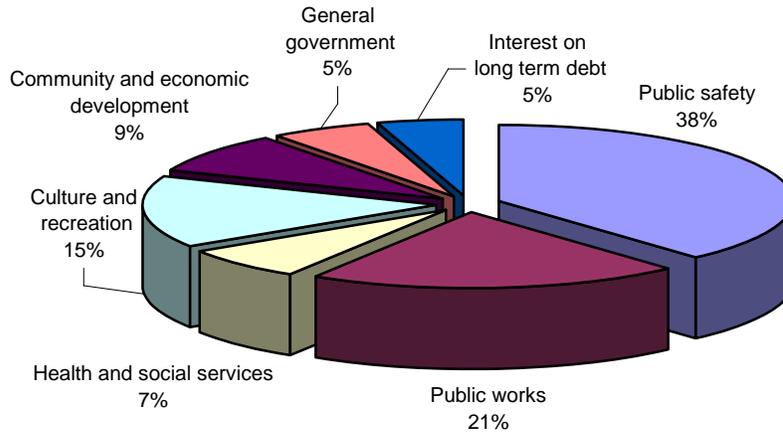
Revenues as a Percent for FY 2005-06



City of Marshalltown's Changes in Net Assets Governmental Activities 2006 Expenses (Stated in \$1,000)



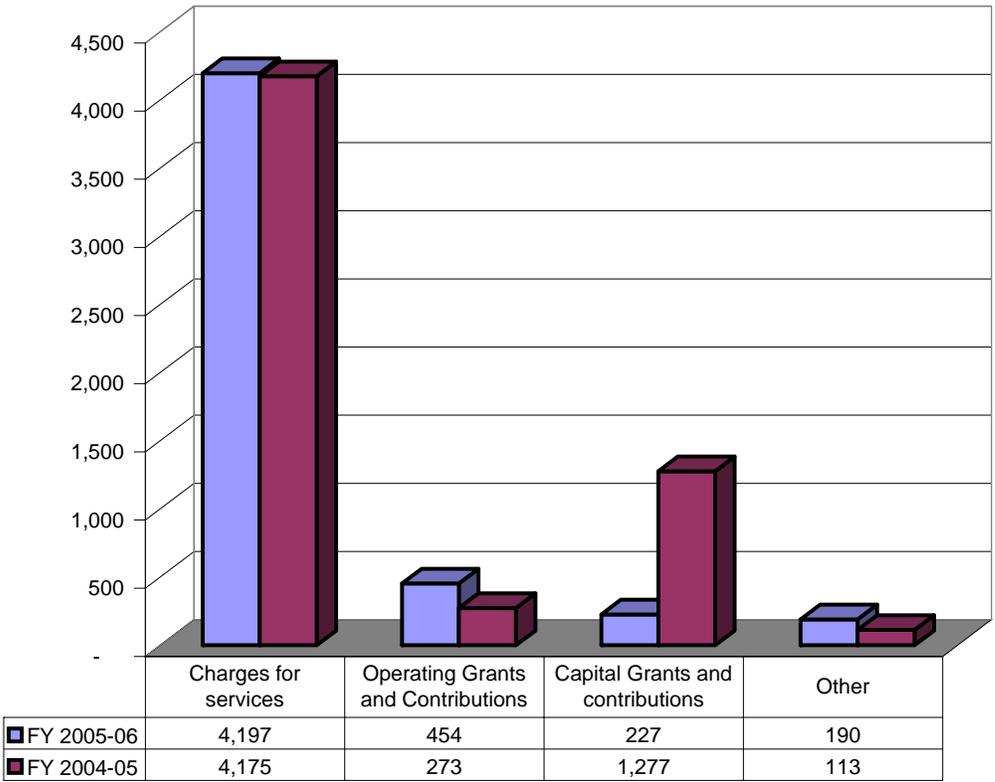
Expenses as a Percent for 2005-06



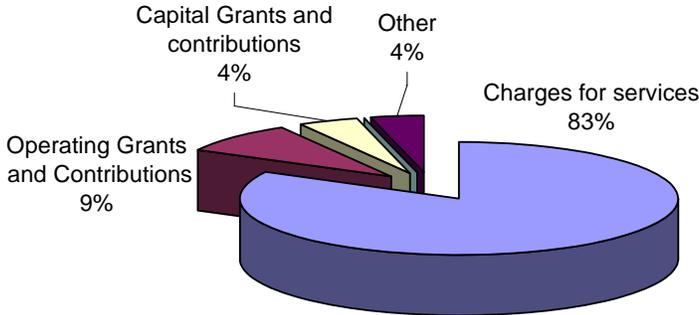
Business-type Activities

	<u>FY 2005-06</u>	<u>FY 2004-05</u>	<u>Increase (decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 4,197,287	\$ 4,174,931	\$ 22,356
Operating Grants and Contributions	453,792	273,126	180,666
Capital Grants and contributions	227,315	1,276,587	(1,049,272)
General Revenues			
Other	190,147	113,190	76,957
Total Revenues	<u>5,068,541</u>	<u>5,837,834</u>	<u>(769,293)</u>
Expenses:			
Business type	5,057,496	5,137,658	(80,162)
Total expenses	<u>5,057,496</u>	<u>5,137,658</u>	<u>(80,162)</u>
Increase (decrease) in net assets before transfers	11,045	700,176	(689,131)
Transfers	<u>145,235</u>	<u>120,380</u>	<u>24,855</u>
Increase (decrease) in net assets	<u>156,280</u>	<u>820,556</u>	<u>(664,276)</u>
Net Assets - beginning of year	<u>32,839,084</u>	<u>32,018,528</u>	<u>820,556</u>
Net assets - end of year	<u>\$ 32,995,364</u>	<u>\$ 32,839,084</u>	<u>\$ 156,280</u>

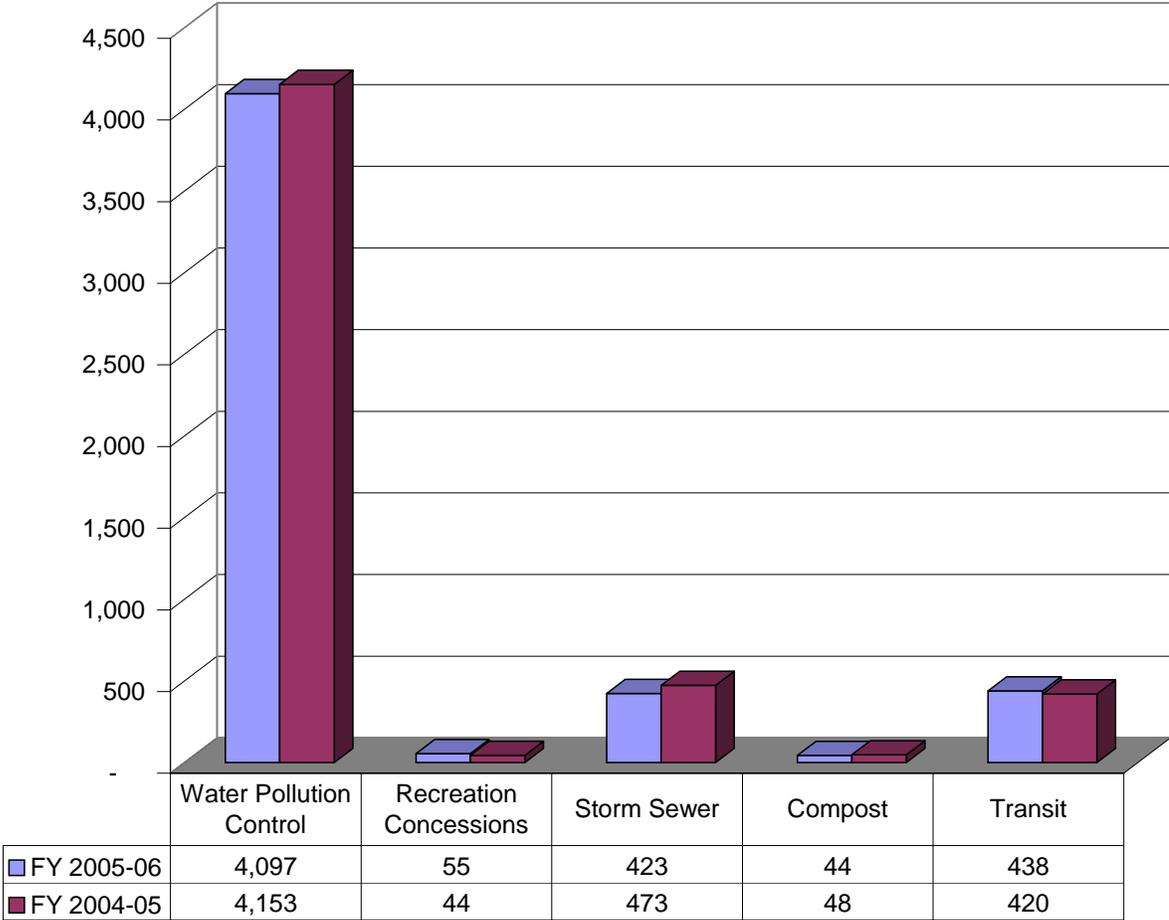
City of Marshalltown's Changes in Net Assets
 Business-type 2006 Revenues
 (Stated in \$1,000s)



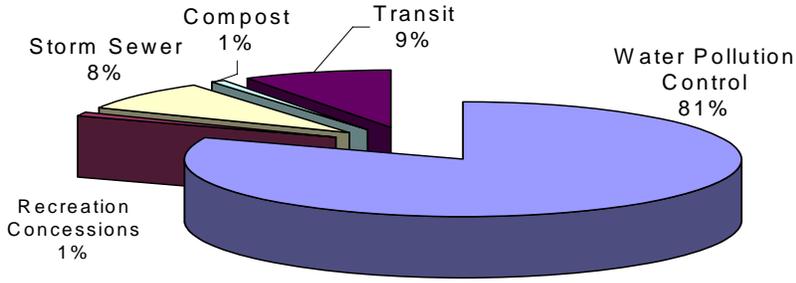
Business-type Revenues as a Percent for 2005-06



**City of Marshalltown's Changes in Net Assets
Business-type 2006 Expenses
(Stated as \$1,000s)**



Business Type Activity Expenses FY 2005-06



Total Governmental & Business-type Activities

	FY 2005-06	FY 2004-05	Increase (decrease)
Revenues:			
Program Revenues:			
Charges for services	\$ 6,027,284	\$ 5,897,946	\$ 129,338
Operating Grants and Contributions	5,894,297	5,538,689	355,608
Capital Grants and contributions	1,688,733	2,248,106	(559,373)
General Revenues			
Property and other taxes	11,934,949	12,551,303	(616,354)
Grants & Contributions not restricted to specific programs	383,643	401,992	(18,349)
Other	1,053,343	1,128,689	(75,346)
Total Revenues	26,982,249	27,766,725	(784,476)
Expenses:			
Public safety	7,343,575	6,718,838	624,737
Public works	3,938,080	4,975,532	(1,037,452)
Health and social services	1,361,077	1,336,175	24,902
Culture and recreation	2,893,559	2,356,111	537,448
Community and economic development	1,694,889	1,743,784	(48,895)
General government	1,028,482	975,510	52,972
Interest on long term debt	921,460	1,037,688	(116,228)
Business type	5,057,496	5,137,658	(80,162)
Total expenses	24,238,618	24,281,296	(42,678)
Increase (decrease) in net assets before transfers	2,743,631	3,485,429	(741,798)
Transfers	-	-	-
Increase (decrease) in net assets	2,743,631	3,485,429	(741,798)
Net Assets - beginning of year	52,191,650	48,706,221	3,485,429
Net assets - end of year	\$ 54,935,281	\$ 52,191,650	\$ 2,743,631

Financial Analysis of the Government's Funds

As noted earlier, the City of Marshalltown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The financial reporting focus of the City of Marshalltown's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City of Marshalltown's financing requirements. In particular, *unreserved fund balance* may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Marshalltown's governmental funds reported a combined ending fund balance of \$10,314,442, an increase of \$656,583 in comparison with the prior year. Of this total amount \$7,542,826 constitutes unreserved fund balance, which is available to meet the future financial needs of the City. \$1,828,819, an increase of \$80,965, is designated for future equipment and capital maintenance, future cash flow and landfill fees.

The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period \$306,210, 2) to fund various debt service payments \$1,236,952, and 3) for a variety of other restricted purposes \$1,228,454.

The General fund is the chief operating fund of the City of Marshalltown. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,781,078. Management designated \$248,209 for subsequent year's expenditures. The general fund's total fund balance was \$3,035,415, an increase of \$187,291 primarily as a result of the cash flow reserve fund deposits from the local option sales tax referendum and interest earned due to market changes. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25 percent of total general fund expenditures (\$11,291,894), while total fund balance represents 27 percent of the same amount. This is approximately a 2% improvement over 2004-2005.

The Road Use Tax fund is apportioned to the City from the state gasoline taxes based upon population. This fund is used for street related purposes only. Major street resurfacing and reconstruction are scheduled each year in the spring after the impact of winter weather can be determined. At the end of the current fiscal year, the ending fund balance of \$1,638,892 is a slight reduction over the prior year. Snow and ice removal are the greatest variable for this fund. Weather and market demand for gasoline and salt in Iowa has proven a negative influence during the peak snow season. Fluctuations in gasoline prices are not as dramatic as once thought so future allocations should not be hampered.

The Lead Abatement program has been sustained with another three-year grant that began December 2005. This program has also been extended into the county due to the high incidents of lead poisoning in young children. The City administers the grant in collaboration with many health and welfare agencies and the local hospital. The other Housing and Urban Development (HUD) Program activity is the Section 8 program. Even though demand for this program generates a six to twelve month waiting list, federal funding is declining.

The renewal of the Local Option Sales Tax referendum insures property tax relief (75%), storm sewer and other capital improvements (20%), and any project designated by the Council (5%) for the next ten years. Property tax relief dollars are transferred to other funds; therefore, the entire fund balance is reserved for capital projects. The increase in the balance this year (\$915,440) is due to pent up storm sewer projects that have been engineered and are now being bid for construction.

The Tax Increment Financing (TIF) fund does not qualify as a major fund this year, but has been included in order to give the reader consistency. Due to the timing of activity, the fund was classified as major last fiscal year and will again qualify next year. Major projects in this area include restoring a portion of the Center Street bridge (\$1 million) including historical lighting; which is part of the Main Street Restoration Project. The rest of this project has been supported with general obligation bonds (\$1 million). A grant awarded during this fiscal year will be matched with private and TIF funds to demolish an abandoned school to be replaced with housing units, again putting property back onto the tax base and improving dilapidated neighborhoods. See the Transmittal Letter for more detail on upcoming projects in the downtown area further strengthening the tax base.

A slight increase (\$21,423) in the Debt Service fund reflects interest earnings on idle funds. These earnings will be used to defray registrar fees in the future.

Changes in the Capital Project funds were a minimal reduction of \$122,603 over last year. Major projects in this area include various capital street construction or reconstruction projects, an extension of the bike/walk/jog path from city limits to the Grimes Farm Nature Center, and airport rehabilitation projects. The last three major street projects have been funded with a special assessment formula increasing the participation of property owners that benefit directly by the improvements. Special assessments and a payment from a bankrupt developer (a one time payment) will assist the City to better maximize resources for future capital street projects.

Proprietary funds. The City of Marshalltown's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The ending net assets for the proprietary funds were \$32,995,364, a net asset increase of \$156,280.

Budgetary Highlights

General Fund

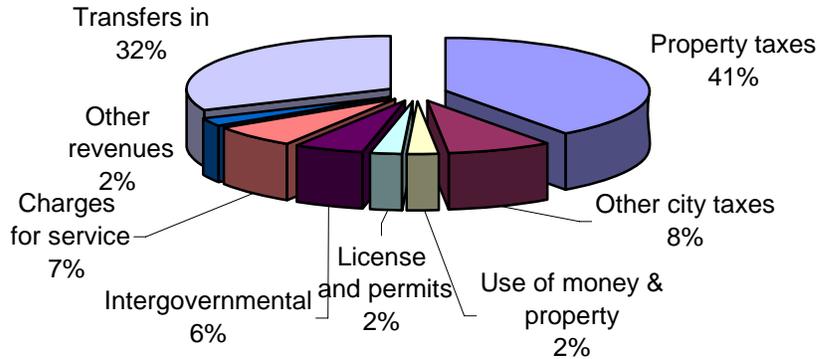
As demonstrated by the following schedule, the City continues to meet its responsibility for sound financial management. City management knew the City would have to continue to hold the line on operating expenditures as major changes were anticipated in its operations. (See the Transmittal Letter for discussion on construction of a new library.)

Revenues and transfers in for the general fund operations, on the GAAP basis, lacked budgeted revenues estimates by \$383,156 and departmental expenditures and transfers out on the budgetary basis were less than appropriated amounts by \$833,938.

The following schedule presents a summary of General Fund revenues and transfers in on the GAAP basis for the fiscal year ended June 30, 2006, and the amount and percentage of increases and decreases

Revenues	FY 2005-06	Percentage of Total	FY 2004-05	Percentage of Total	Change	Percentage of Change
Property taxes	\$ 4,633,501	40.0%	\$ 4,265,893	38.5%	\$ 367,608	8.6%
Other city taxes	976,233	8.4%	938,128	8.5%	38,105	4.1%
Use of money & property	270,319	2.3%	196,175	1.8%	74,144	37.8%
License and permits	289,329	2.5%	341,082	3.1%	(51,753)	-15.2%
Intergovernmental	640,717	5.5%	720,527	6.5%	(79,810)	-11.1%
Charge for service	816,617	7.1%	792,182	7.2%	24,435	3.1%
Other revenues	286,594	2.5%	260,931	2.4%	25,663	9.8%
Transfers in	3,668,034	31.7%	3,551,497	32.1%	116,537	3.3%
Total	11,581,344	100.0%	11,066,415	100.0%	514,929	4.7%

2006 General Fund Revenues and Transfers



Revenue for general fund functions totaled \$11,581,344 dollars in fiscal year ended June 30, 2006.

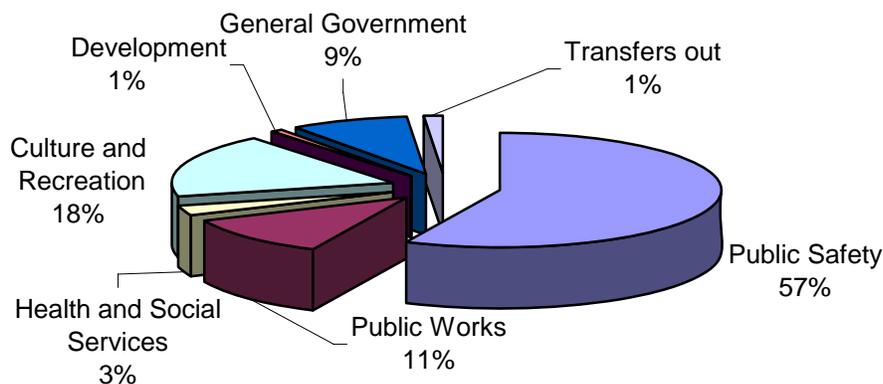
Current and prior year's property taxes continue to represent the largest revenue source, with \$4.6 million or 40% of all general fund revenues. The increase in property tax revenues from 2005 of \$367,608 is due to a modest increase in the taxable value of real estate. There was no increase in tax rate for this fiscal year within the general fund. The next largest revenue is Transfers In. All general fund employee benefits are reflected in the operating fund even though a transfer is required from the special revenue fund, which collects the tax. The increase in transfers reflects the increase in benefits such as retirement and group health insurance.

In the General Fund, an 11% decrease in state revenue sharing resulted in a \$79,810 decrease in intergovernmental revenues. The revenue generated through rental registrations also decreased. Due to changes in the rental inspection division, true cost accounting revealed the need to reduce the rental registration fee. A 6 month moratorium was imposed skewing the annual collection for rental registrations.

The following schedule represents a summary of General Fund expenditures and transfers out on the GAAP basis of accounting and the percentage of increases and decreases in relation to prior year amounts:

Expenditures	Percentage		Percentage		Change	Percentage of Change
	FY 2005-06	of Total	FY 2004-05	of Total		
Public Safety	\$ 6,509,394	56.9%	\$ 6,529,449	57.9%	\$ (20,055)	-0.3%
Public Works	1,304,588	11.4%	1,297,542	11.5%	7,046	0.5%
Health and Social Services	321,504	2.8%	346,400	3.1%	(24,896)	-7.2%
Culture and Recreation	2,085,898	18.2%	1,996,232	17.7%	89,666	4.5%
Community and Economic Development	92,609	0.8%	77,615	0.7%	14,994	19.3%
General Government	977,901	8.5%	934,954	8.3%	42,947	4.6%
Transfers out	155,735	1.4%	102,305	0.9%	53,430	52.2%
Total	11,447,629	100.0%	11,284,497	100.0%	163,132	1.4%

General Fund Expenditures 2006



Negotiated wage increases of approximately 3% were part of multiyear contracts for all but one union. Benefit and utility expenses are responsible for some expenditure increases across all functions even though supplies, other than gasoline, were kept to a minimum. Current cash flow projections and the

management's stability of the City's general fund balance provide continued assurance that the City will not need to enter the short-term debt market to pay for current expenditures now or in the foreseeable future.

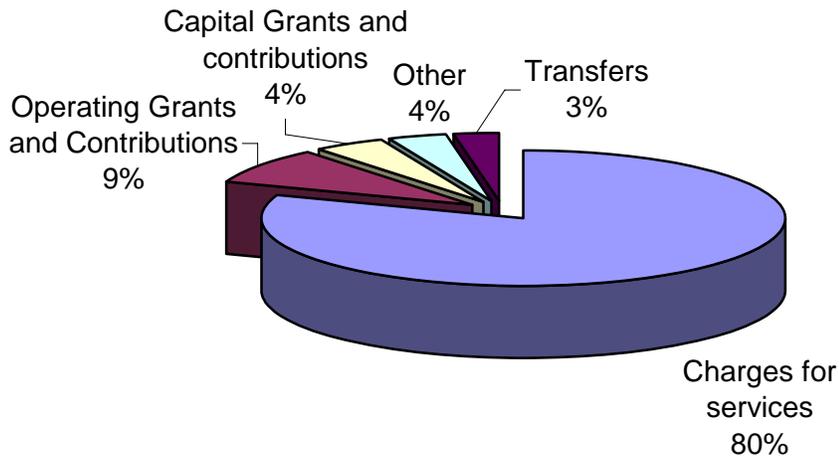
Enterprise Operations

The City's enterprise operations consist of five separately accounted for operations, which are administered by three different departments. Transit and the Compost facility are operated by the Public Works Department, Concessions is administered by Parks & Recreation and the WPC department administers Storm Water and Water Pollution Control.

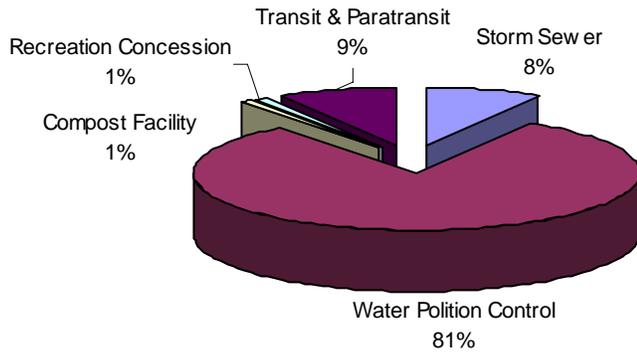
Operating revenues for the City's combined enterprise operations increased by \$22,356 for charges for services. Transit revenues, overall, increased substantially due to state and federal grants for equipment. Total operating expenses for the combined enterprise operations increased \$58,004. The slender increase in retained earnings was due to the reduction of debt related interest expense, the reduction in the sale of assets and the additional interest earned on idle funds.

Revenues	<u>FY 2005-06</u>	<u>Percentage of Total</u>	<u>FY 2004-05</u>	<u>Percentage of Total</u>	<u>Change</u>	<u>Percentage of Change</u>
Operating Revenues						
Charges for services	\$ 4,197,287	80.5%	\$ 4,174,931	70.1%	\$ 22,356	0.5%
Operating Grants and Contributions	453,792	8.7%	273,126	4.6%	180,666	66.15%
Capital Grants and contributions	227,315	4.4%	1,276,587	21.4%	(1,049,272)	-82.1%
General Revenues						
Other	190,147	3.6%	113,190	1.9%	76,957	68%
Transfers	145,235	2.8%	120,380	2.0%	24,855	20.6%
Total Revenues and Transfers	5,213,776	100.0%	5,958,214	100.0%	(744,438)	-12.5%

Revenues - Enterprise Operations 2006



Enterprise Expenses 2006



Capital Asset and Debt Administration

Capital assets. The City of Marshalltown's investment in capital assets for its governmental and business type activities as of June 30, 2006 amount to \$105,142,556. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways and sewers. The total increase in the City of Marshalltown's investment in capital assets for the current fiscal year was \$2,391,501.

City of Marshalltown's 2006 Capital Assets

	Governmental Activities		Increase (decrease)
	FY 2005-06	FY 2004-05	
Land and Improvements \$	4,125,886	\$ 3,897,579	\$ 228,307
Buildings and Structures	7,782,227	7,426,139	356,088
Equipment and vehicles	11,702,253	11,838,567	(136,314)
Infrastructure	28,157,149	25,935,522	2,221,627
Construction in Progress	150,281	946,381	(796,100)
Total	51,917,796	50,044,188	1,873,608

Business Type Activities

	FY 2005-06	FY 2004-05	Increase (decrease)
Land and Improvements	\$ 2,424,919	\$ 2,327,751	\$ 97,168
Buildings and Structures	11,150,623	11,072,189	78,434
Machinery and Equipment	13,361,327	13,146,296	215,031
Infrastructure, sewers & lift stations	26,268,761	26,157,744	111,017
Construction in Progress	19,130	2,887	16,243
Total	53,224,760	52,706,867	517,893

Total Governmental and Business Type Activities

	FY 2005-06	FY 2004-05	Increase (decrease)
Land and Improvements	\$ 6,550,805	\$ 6,225,330	\$ 325,475
Buildings and Structures	18,932,850	18,498,328	434,522
Machinery and Equipment	25,063,580	24,984,863	78,717
Infrastructure, sewers & lift stations	54,425,910	52,093,266	2,332,644
Construction in Progress	169,411	949,268	(779,857)
Total	105,142,556	102,751,055	2,391,501

Major capital asset events during the current fiscal year include the following:

- The City completed multi-year street improvements on Westwood Drive and Washington/Player.
- Completion of the parking area and salt storage shed at the Public Works facility.
- Construction was completed on the Police/Sewer building
- Bike/walk/jog path to the Grimes Nature Center was completed

Additional information on the City of Marshalltown's capital assets can be found on pages 58-60 of this report.

Long-term debt. At the end of the current fiscal year, the City of Marshalltown had total bonded debt outstanding of \$28,817,352. Of this amount, \$17,589,564 comprises debt backed by the full faith and credit of the City. The remainder of the City of Marshalltown's debt represents bonds secured solely by revenues generated from the sanitary sewer rental fees or revenues generated by tax increment.

General Obligation and Revenue Bonds

(Stated in 1,000)

Governmental Activities

	FY 2005-06	FY 2004-05	Increase (decrease)
General obligation bonds and notes payable	\$ 17,590	\$ 17,543	\$ 47
Revenue bonds and notes payable	4,296	4,637	(341)
Total	21,886	22,180	(294)

Business Type Activities			
	FY 2005-06	FY 2004-05	Increase (decrease)
General obligation bonds and notes payable	\$ -	\$ -	\$ -
Revenue bonds and notes payable	6,932	7,678	(746)
Total	6,932	7,678	(746)

Total Governmental and Business Type Activities			
	FY 2005-06	FY 2004-05	Increase (decrease)
General obligation bonds and notes payable	\$ 17,590	\$ 17,543	\$ 47
Revenue bonds and notes payable	11,228	12,315	(1,087)
Total	28,818	29,858	(1,040)

The City of Marshalltown's total bonded debt decreased by 3.6 percent during the current fiscal year due to:

- The normal retirement of existing debt
- Issuance of \$1.5 million general obligation notes for the Center Street Bridge and Street Reconstruction Projects
- Yearly retirement of a Tax Increment Bond Anticipation Note

Moody's retained the City of Marshalltown's bond rating of A2 for its general obligation and revenue bonds in March of 2004.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Marshalltown is \$52,048,614, which is significantly in excess of the City of Marshalltown's outstanding general obligation debt.

Additional information on the City of Marshalltown's long-term debt can be found in note 6 on pages 60-64 and in the long-term debt section of this report.

Economic Factors and Next Year's Budgets and Rates

Marshalltown continues to foster the growth as a viable economic center for central Iowa. The local economy of the City remains strong and is executing plans to maintain that strength. The Main Street business district is working on second floor residential units development even though the City is experiencing a slow-down in single-family housing starts. Refer to the transmittal letter for more information on the economic factors, initiatives and general activity of the fiscal year.

In adopting the budget for the ensuing fiscal year 2007, the City officials considered many factors in making decisions and estimates about the finances of the upcoming year. Interest earnings, sales and gasoline taxes collected by the state are relatively flat maintaining a stable revenue source. The statewide police and fire retirement system is decreasing the city's contribution by almost two percent reflecting the recovery from reduced interest earnings and contributions from the State. The construction of a new library, reconstruction and modernization of college facilities and retrofits to some of the downtown buildings indicate a busy year for the construction industry in our region. A primary objective of the

Council was to continue to provide basic city services to the citizens while attempting to keep the property tax rate substantially the same. With a new Council coming on board in January, their goals are taking on a new emphasis on customer service and community cleanup. With the new goals, the major initiatives passed by the various referendums and the completion of the Center City Plan (see transmittal letter for more information), the following items are forefront in revenue and expenditure projections:

- The City will issue general obligation debt during the next year for construction of the new library
- The high cost of lumber and steel continues to be a concern for the various capital construction projects planned throughout the community
- The City's contribution rate for Police and Fire retirement system has decreased slightly and is projected to be reduced for next year as well
- All City employees covered by the IPERS retirement system will experience a half of a percent increase in contribution (both employer and employee)
- The use of special assessments for street improvements will extend the City's investment in infrastructure
- The cost of health care continues to rise. Cost containment and changes in the City's plan have not offset high claims experienced in 2006.
- Developments in commercial and industrial ventures will positively impact the tax base and sales tax revenues within the next two years. These developments should not have an adverse impact on City utilities.

Requests for Information

This financial report is designed to provide a general overview of the City of Marshalltown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Office of the Finance Director, 24 N. Center Street, Marshalltown, IA 50158-4911.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Assets					
Cash and cash equivalents	\$ 10,677,372	\$ 2,866,408	\$ 13,543,780	\$ 1,501,286	\$ 61,528
Receivables					
Property taxes					
Delinquent	123,615	-	123,615	-	-
Succeeding year	7,688,565	-	7,688,565	-	-
Accounts and unbilled usage	411,723	565,224	976,947	250,272	-
Interest	78,559	55,128	133,687	5,620	-
Internal balances	(11,159)	11,159	-	-	-
Due from component unit	-	237,805	237,805	-	-
Due from other governments	1,307,440	4,886	1,312,326	-	-
Inventories	-	34,288	34,288	-	-
Prepaid items	306,210	53,486	359,696	65,909	1,307
Deferred charges					
Bond issuance costs	91,292	46,057	137,349	2,845	-
Deferred amount on refunding	-	17,884	17,884	-	-
Bond discount	3,838	1,424	5,262	-	-
Restricted assets					
Cash and cash equivalents	-	1,382,713	1,382,713	110,507	-
Capital assets					
Land	2,847,192	575,024	3,422,216	1,113,721	-
Land improvements	1,278,694	1,849,895	3,128,589	-	-
Buildings and structures	7,782,227	11,150,623	18,932,850	9,179,714	-
Equipment and vehicles	11,702,253	13,361,327	25,063,580	2,343,191	72,855
Sanitary sewers and lift stations	-	15,431,684	15,431,684	-	-
Infrastructure	28,157,149	10,837,077	38,994,226	8,703,520	-
Construction in progress	150,281	19,130	169,411	-	-
Accumulated depreciation	(18,630,251)	(18,211,436)	(36,841,687)	(9,430,700)	(21,487)
Total assets	53,965,000	40,289,786	94,254,786	13,845,885	114,203

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS (continued)
JUNE 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Liabilities					
Accounts payable	\$ 968,128	\$ 124,998	\$ 1,093,126	\$ 82,429	\$ 3,885
Accrued payroll and payroll benefits	165,801	28,459	194,260	18,125	1,106
Retainage payable	173,851	-	173,851	-	-
Unearned revenue					
Succeeding year property tax	7,688,565	-	7,688,565	-	-
Other	4,346	-	4,346	-	-
Premium on bonds sold	11,929	6,141	18,070	-	-
Due to other governments	62,270	13,218	75,488	-	-
Accrued interest payable	86,926	18,731	105,657	-	-
Due to primary government	-	-	-	237,805	-
Liabilities payable from restricted assets					
Customer deposits	-	-	-	110,295	-
Noncurrent liabilities					
Due within one year					
Bonds and notes payable	1,668,840	771,000	2,439,840	345,000	-
Urban renewal tax increment revenue bonds and notes payable	372,350	-	372,350	-	-
Compensated absences payable	483,113	83,567	566,680	76,224	-
Due in more than one year					
Bonds and notes payable	15,920,724	6,161,000	22,081,724	365,000	-
Urban renewal tax increment revenue bonds and notes payable	3,923,438	-	3,923,438	-	-
Compensated absences payable	494,802	87,308	582,110	-	-
Total liabilities	<u>32,025,083</u>	<u>7,294,422</u>	<u>39,319,505</u>	<u>1,234,878</u>	<u>4,991</u>
Net assets					
Invested in capital assets, net of related debt	10,902,193	28,081,324	38,983,517	11,199,446	51,368
Restricted for					
Capital projects	915,440	-	915,440	-	-
Improvements	-	250,000	250,000	-	-
Community and economic development	310,547	-	310,547	-	-
Debt service	1,236,952	1,132,713	2,369,665	236,102	-
Parks, nonexpendable	2,467	-	2,467	-	-
Unrestricted	<u>8,572,318</u>	<u>3,531,327</u>	<u>12,103,645</u>	<u>1,175,459</u>	<u>57,844</u>
Total net assets	<u>\$ 21,939,917</u>	<u>\$ 32,995,364</u>	<u>\$ 54,935,281</u>	<u>\$ 12,611,007</u>	<u>\$ 109,212</u>

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Public safety	\$ 7,343,575	\$ 104,082	\$ 656,378	\$ 4,346
Public works	3,938,080	636,645	2,080,873	1,291,512
Health and social services	1,361,077	74,410	1,013,828	-
Culture and recreation	2,893,559	687,079	96,991	165,560
Community and economic development	1,694,889	230,674	1,592,435	-
General government	1,028,482	97,107	-	-
Interest on long-term debt	921,460	-	-	-
Total governmental activities	19,181,122	1,829,997	5,440,505	1,461,418
Business-type activities				
Storm sewer	423,426	327,807	-	195,665
Water pollution control	4,096,849	3,657,366	96	31,650
Compost	44,066	26,627	-	-
Concessions	54,725	67,014	-	-
Transit	438,430	118,473	453,696	-
Total business-type activities	5,057,496	4,197,287	453,792	227,315
Total primary government	\$ 24,238,618	\$ 6,027,284	\$ 5,894,297	\$ 1,688,733
Component units				
Water works	\$ 2,933,284	\$ 3,066,892	\$ -	\$ -
Convention and tourism	155,172	168,275	-	-
Total component units	\$ 3,088,456	\$ 3,235,167	\$ -	\$ -
General Revenues				
Taxes				
Property				
Other				
Unrestricted				
State generated revenues				
Investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
\$ (6,578,769)	\$ -	\$ (6,578,769)	\$ -	\$ -
70,950	-	70,950	-	-
(272,839)	-	(272,839)	-	-
(1,943,929)	-	(1,943,929)	-	-
128,220	-	128,220	-	-
(931,375)	-	(931,375)	-	-
(921,460)	-	(921,460)	-	-
<u>(10,449,202)</u>	<u>-</u>	<u>(10,449,202)</u>	<u>-</u>	<u>-</u>
-	100,046	100,046	-	-
-	(407,737)	(407,737)	-	-
-	(17,439)	(17,439)	-	-
-	12,289	12,289	-	-
-	133,739	133,739	-	-
<u>-</u>	<u>(179,102)</u>	<u>(179,102)</u>	<u>-</u>	<u>-</u>
<u>\$ (10,449,202)</u>	<u>\$ (179,102)</u>	<u>\$ (10,628,304)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 133,608	\$ -
-	-	-	-	13,103
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,608</u>	<u>\$ 13,103</u>
\$ 7,006,898	\$ -	\$ 7,006,898	\$ -	\$ -
4,928,051	-	4,928,051	-	-
383,643	-	383,643	-	-
477,315	190,147	667,462	73,339	1,103
385,881	-	385,881	-	-
(145,235)	145,235	-	-	-
<u>13,036,553</u>	<u>335,382</u>	<u>13,371,935</u>	<u>73,339</u>	<u>1,103</u>
2,587,351	156,280	2,743,631	206,947	14,206
<u>19,352,566</u>	<u>32,839,084</u>	<u>52,191,650</u>	<u>12,404,060</u>	<u>95,006</u>
<u>\$ 21,939,917</u>	<u>\$ 32,995,364</u>	<u>\$ 54,935,281</u>	<u>\$ 12,611,007</u>	<u>\$ 109,212</u>

CITY OF MARSHALLTOWN, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
Assets				
Cash and cash equivalents	\$ 2,142,201	\$ 1,770,215	\$ 286,308	\$ 1,019,750
Receivables				
Property taxes				
Delinquent	71,396	-	-	-
Succeeding year	5,230,582	-	-	-
Accounts and unbilled usage	255,711	-	29,254	-
Interest	28,387	-	308	9,597
Due from other funds	719,048	-	4,325	-
Due from other governments	197,081	169,582	301,621	397,083
Prepaid items	254,337	5,115	6,200	-
Total assets	<u>\$ 8,898,743</u>	<u>\$ 1,944,912</u>	<u>\$ 628,016</u>	<u>\$ 1,426,430</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 210,963	\$ 190,837	\$ 43,777	\$ 18,598
Accrued payroll and payroll benefits	157,546	-	4,970	-
Retainage payable	-	18,123	-	-
Deferred revenue				
Succeeding year property tax	5,230,582	-	-	-
Other	244,330	-	204,283	-
Due to other governments	-	-	58,239	-
Due to other funds	19,907	97,060	-	492,392
Total liabilities	<u>5,863,328</u>	<u>306,020</u>	<u>311,269</u>	<u>510,990</u>
Fund balances				
Reserved for				
Prepaid items	254,337	5,115	6,200	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Community and economic development	-	-	310,547	-
Capital projects	-	-	-	915,440
Unreserved, designated for				
Future equipment and capital maintenance	62,490	-	-	-
Future cash flow	1,580,610	-	-	-
Future landfill fees	185,719	-	-	-
Unreserved, undesignated	952,259	1,633,777	-	-
Unreserved, reported in nonmajor				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>3,035,415</u>	<u>1,638,892</u>	<u>316,747</u>	<u>915,440</u>
Total liabilities and fund balances	<u>\$ 8,898,743</u>	<u>\$ 1,944,912</u>	<u>\$ 628,016</u>	<u>\$ 1,426,430</u>

See notes to financial statements.

Tax Increment Financing	Property Tax	Debt Service	Capital Projects Funds		Other Governmental Funds	Total
			Public Works and Other Projects			
\$ 1,074,405	\$ 688,209	\$ 213,143	\$ 1,669,846	\$ 906,131	\$ 9,770,208	
16,196	9,022	21,640	5,361	-	123,615	
-	688,468	1,365,643	403,872	-	7,688,565	
19,500	-	-	82,939	17,002	404,406	
9,423	3,111	658	17,146	4,667	73,297	
10,500	481,744	-	133,932	1,697	1,351,246	
5,277	1,650	3,851	981	218,966	1,296,092	
-	-	-	-	40,558	306,210	
<u>\$ 1,135,301</u>	<u>\$ 1,872,204</u>	<u>\$ 1,604,935</u>	<u>\$ 2,314,077</u>	<u>\$ 1,189,021</u>	<u>\$ 21,013,639</u>	
\$ 3,820	\$ -	\$ 350	\$ 62,330	\$ 71,053	\$ 601,728	
-	-	-	-	3,285	165,801	
-	-	-	119,871	35,857	173,851	
-	688,468	1,365,643	403,872	-	7,688,565	
20,227	169	436	83,039	99,950	652,434	
-	-	-	-	4,031	62,270	
112,808	426,483	-	129,703	76,195	1,354,548	
<u>136,855</u>	<u>1,115,120</u>	<u>1,366,429</u>	<u>798,815</u>	<u>290,371</u>	<u>10,699,197</u>	
-	-	-	-	40,558	306,210	
998,446	-	238,506	-	-	1,236,952	
-	-	-	-	2,467	2,467	
-	-	-	-	-	310,547	
-	-	-	-	-	915,440	
-	-	-	-	-	62,490	
-	-	-	-	-	1,580,610	
-	-	-	-	-	185,719	
-	757,084	-	1,515,262	-	4,858,382	
-	-	-	-	532,363	532,363	
-	-	-	-	323,262	323,262	
<u>998,446</u>	<u>757,084</u>	<u>238,506</u>	<u>1,515,262</u>	<u>898,650</u>	<u>10,314,442</u>	
<u>\$ 1,135,301</u>	<u>\$ 1,872,204</u>	<u>\$ 1,604,935</u>	<u>\$ 2,314,077</u>	<u>\$ 1,189,021</u>	<u>\$ 21,013,639</u>	

CITY OF MARSHALLTOWN, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total governmental fund balances \$ 10,314,442

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 51,917,796	
Accumulated depreciation is	<u>(18,630,251)</u>	
		33,287,545

Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. Those revenues consist of:

Property tax revenue	2,303	
Mobile home taxes	464	
Intergovernmental revenue	406,532	
Charges for service	<u>238,789</u>	
		648,088

Internal service funds are used by the City's management to charge the costs of self-insurance programs to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 556,834

Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of:

Long-term debt, net of deferrals	(21,802,151)	
Accrued interest on the bonds	(86,926)	
Compensated absences	<u>(977,915)</u>	
		<u>(22,866,992)</u>

Net assets of governmental activities \$ 21,939,917

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
Revenues				
Property taxes	\$ 4,633,501	\$ -	\$ -	\$ -
TIF revenues	-	-	-	-
Other city taxes	976,233	-	-	2,387,873
Use of money and property	270,319	-	13,644	41,371
Licenses and permits	289,329	-	-	-
Intergovernmental	640,717	2,175,734	2,566,705	-
Charges for service	816,617	-	439	-
Special assessments	-	-	-	-
Miscellaneous	286,594	-	38,950	-
Total revenues	<u>7,913,310</u>	<u>2,175,734</u>	<u>2,619,738</u>	<u>2,429,244</u>
Expenditures				
Current				
Public safety	6,509,394	-	-	-
Public works	1,304,588	1,534,877	-	140,535
Health and social services	321,504	-	1,018,795	-
Culture and recreation	2,085,898	-	-	-
Community and economic development	92,609	-	1,450,232	-
General government	977,901	-	-	-
Debt service				
Principal	13,840	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>11,305,734</u>	<u>1,534,877</u>	<u>2,469,027</u>	<u>140,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,392,424)</u>	<u>640,857</u>	<u>150,711</u>	<u>2,288,709</u>
Other financing sources (uses)				
Sale of governmental assets	67,416	-	-	-
Capital loan notes issued	-	-	-	-
Transfers in	3,668,034	-	22,708	-
Transfers out	(155,735)	(784,007)	-	(1,802,726)
Total other financing sources (uses)	<u>3,579,715</u>	<u>(784,007)</u>	<u>22,708</u>	<u>(1,802,726)</u>
Net change in fund balances	187,291	(143,150)	173,419	485,983
Fund balances - beginning	<u>2,848,124</u>	<u>1,782,042</u>	<u>143,328</u>	<u>429,457</u>
Fund balances - ending	<u>\$ 3,035,415</u>	<u>\$ 1,638,892</u>	<u>\$ 316,747</u>	<u>\$ 915,440</u>

See notes to financial statements.

Tax Increment Financing	Property Tax	Debt Service	Capital Projects Funds		Other Governmental Funds	Total
			Public Works and Other Projects			
\$ -	\$ 584,491	\$ 1,439,924	\$ 347,372	\$ -	\$ -	\$ 7,005,288
1,482,011	-	-	-	-	-	1,482,011
-	71,743	162,815	42,639	244,697	-	3,886,000
42,242	20,105	21,634	60,635	38,654	-	508,604
-	-	-	-	-	-	289,329
20,288	30,406	70,198	18,071	1,222,176	-	6,744,295
-	-	-	-	46,285	-	863,341
-	-	-	210,278	-	-	210,278
-	-	-	109,205	84,770	-	519,519
<u>1,544,541</u>	<u>706,745</u>	<u>1,694,571</u>	<u>788,200</u>	<u>1,636,582</u>		<u>21,508,665</u>
-	3,543	-	-	486,067	-	6,999,004
11,229	-	-	1,884,495	872,147	-	5,747,871
-	-	-	-	429	-	1,340,728
-	-	-	-	449,837	-	2,535,735
146,652	-	-	-	-	-	1,689,493
-	-	-	259,857	71	-	1,237,829
-	-	-	-	-	-	-
231,273	-	1,440,000	110,065	-	-	1,795,178
208,499	-	719,926	-	-	-	928,425
<u>597,653</u>	<u>3,543</u>	<u>2,159,926</u>	<u>2,254,417</u>	<u>1,808,551</u>		<u>22,274,263</u>
<u>946,888</u>	<u>703,202</u>	<u>(465,355)</u>	<u>(1,466,217)</u>	<u>(171,969)</u>		<u>(765,598)</u>
-	-	-	-	-	-	67,416
-	-	-	1,500,000	-	-	1,500,000
10,500	1,698,511	486,778	270,248	110,199	-	6,266,978
(597,834)	(2,702,202)	-	(305,098)	(64,611)	-	(6,412,213)
<u>(587,334)</u>	<u>(1,003,691)</u>	<u>486,778</u>	<u>1,465,150</u>	<u>45,588</u>		<u>1,422,181</u>
359,554	(300,489)	21,423	(1,067)	(126,381)	-	656,583
<u>638,892</u>	<u>1,057,573</u>	<u>217,083</u>	<u>1,516,329</u>	<u>1,025,031</u>		<u>9,657,859</u>
<u>\$ 998,446</u>	<u>\$ 757,084</u>	<u>\$ 238,506</u>	<u>\$ 1,515,262</u>	<u>\$ 898,650</u>		<u>\$ 10,314,442</u>

CITY OF MARSHALLTOWN, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net change in fund balances – total governmental funds	\$	656,583
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital outlay	\$ 3,436,407	
Book value of disposals	(194,546)	
Capital contributions	227,377	
Depreciation expense	<u>(1,849,147)</u>	
Net change in capital assets		1,620,091

Because some revenues will not be collected for several months after the City’s fiscal year end, they are not considered “available” revenues and are deferred in the governmental funds. Deferred revenues increased by these amounts this year:

Property taxes	1,610	
Mobile home taxes	97	
Intergovernmental	180,687	
Charges for services	<u>83,152</u>	
Net effect		265,546

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. In the current period, these amounts are:

Debt repayments	1,795,178	
Debt proceeds	<u>(1,500,000)</u>	
Net effect		295,178

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

These activities consist of:

Increase in accrued interest and bond issuance costs amortized	(11,993)	
Increase in compensated absences	<u>(82,802)</u>	
Total additional expenses		(94,795)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported with governmental activities.

(155,252)

Change in net assets of governmental activities	\$	<u>2,587,351</u>
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See notes to financial statements.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 2,348,201	\$ 192,711	\$ 325,496	\$ 2,866,408	\$ 907,164
Receivables					
Accounts and unbilled usage	510,010	52,901	2,313	565,224	7,317
Interest	51,399	1,506	2,223	55,128	5,262
Due from other funds	-	1,752	9,407	11,159	-
Due from component unit	237,805	-	-	237,805	-
Due from other governments	-	-	4,886	4,886	11,348
Inventories	27,026	-	7,262	34,288	-
Prepaid items	34,507	7,637	11,342	53,486	-
Deferred charges					
Bond issuance costs	46,057	-	-	46,057	-
Deferred amount on refunding	17,884	-	-	17,884	-
Bond discount	1,424	-	-	1,424	-
Total current assets	3,274,313	256,507	362,929	3,893,749	931,091
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	1,382,713	-	-	1,382,713	-
Capital assets					
Land	364,920	199,667	10,437	575,024	-
Land improvements	1,606,799	-	243,096	1,849,895	-
Buildings and structures	10,440,575	6,000	704,048	11,150,623	-
Equipment and vehicles	12,370,563	89,113	901,651	13,361,327	-
Sanitary sewers and lift stations	15,402,240	29,444	-	15,431,684	-
Infrastructure	-	10,837,077	-	10,837,077	-
Construction in progress	-	19,130	-	19,130	-
Accumulated depreciation	(15,206,714)	(2,309,005)	(695,717)	(18,211,436)	-
Total noncurrent assets	26,361,096	8,871,426	1,163,515	36,396,037	-
Total assets	29,635,409	9,127,933	1,526,444	40,289,786	931,091

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Liabilities					
Current liabilities					
Accounts payable	\$ 99,913	\$ 8,798	\$ 16,287	\$ 124,998	\$ 366,400
Accrued payroll and payroll benefits	19,452	3,061	5,946	28,459	-
Premium on bonds sold	6,141	-	-	6,141	-
Due to other governments	13,218	-	-	13,218	-
Due to other funds	-	-	-	-	7,857
Accrued interest payable	18,731	-	-	18,731	-
Compensated absences	72,750	6,169	4,648	83,567	-
Sewer revenue capital loan note	1,000	-	-	1,000	-
Revenue bonds	770,000	-	-	770,000	-
Total current liabilities	<u>1,001,205</u>	<u>18,028</u>	<u>26,881</u>	<u>1,046,114</u>	<u>374,257</u>
Noncurrent liabilities					
Compensated absences	63,931	13,931	9,446	87,308	-
Sewer revenue capital loan note	4,346,000	-	-	4,346,000	-
Revenue bonds	1,815,000	-	-	1,815,000	-
Total noncurrent liabilities	<u>6,224,931</u>	<u>13,931</u>	<u>9,446</u>	<u>6,248,308</u>	<u>-</u>
Total liabilities	<u>7,226,136</u>	<u>31,959</u>	<u>36,327</u>	<u>7,294,422</u>	<u>374,257</u>
Net assets					
Invested in capital assets, net of related debt	18,046,383	8,871,426	1,163,515	28,081,324	-
Restricted net assets					
Restricted for bond and interest payments	1,132,713	-	-	1,132,713	-
Restricted for improvements	250,000	-	-	250,000	-
Unrestricted	<u>2,980,177</u>	<u>224,548</u>	<u>326,602</u>	<u>3,531,327</u>	<u>556,834</u>
Total net assets	<u>\$ 22,409,273</u>	<u>\$ 9,095,974</u>	<u>\$ 1,490,117</u>	<u>\$ 32,995,364</u>	<u>\$ 556,834</u>

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Operating revenues					
Charges for service	\$ 3,535,609	\$ 327,807	\$ 212,114	\$ 4,075,530	\$ 1,990,598
Miscellaneous	121,757	-	-	121,757	269,518
Total operating revenues	<u>3,657,366</u>	<u>327,807</u>	<u>212,114</u>	<u>4,197,287</u>	<u>2,260,116</u>
Operating expenses					
Salaries and benefits	1,105,834	141,688	291,820	1,539,342	2,950
Services and supplies	1,502,167	57,602	160,597	1,720,366	16,560
Claims paid	-	-	-	-	2,110,622
Health insurance premiums	-	-	-	-	232,846
Depreciation	1,198,715	224,136	84,804	1,507,655	-
Miscellaneous	4,860	-	-	4,860	91,640
Total operating expenses	<u>3,811,576</u>	<u>423,426</u>	<u>537,221</u>	<u>4,772,223</u>	<u>2,454,618</u>
Operating loss	<u>(154,210)</u>	<u>(95,619)</u>	<u>(325,107)</u>	<u>(574,936)</u>	<u>(194,502)</u>
Nonoperating revenues (expenses)					
Federal and state grants	96	-	453,696	453,792	-
Interest income	173,820	5,487	10,840	190,147	39,250
Interest and other debt expense	(274,290)	-	-	(274,290)	-
Bond issuance cost	(10,983)	-	-	(10,983)	-
Total nonoperating revenues (expenses)	<u>(111,357)</u>	<u>5,487</u>	<u>464,536</u>	<u>358,666</u>	<u>39,250</u>
Income (loss) before capital contributions and transfers	(265,567)	(90,132)	139,429	(216,270)	(155,252)
Capital contributions	31,650	195,665	-	227,315	-
Transfers in	-	-	145,235	145,235	-
Change in net assets	(233,917)	105,533	284,664	156,280	(155,252)
Total net assets - beginning	<u>22,643,190</u>	<u>8,990,441</u>	<u>1,205,453</u>	<u>32,839,084</u>	<u>712,086</u>
Total net assets - ending	<u>\$ 22,409,273</u>	<u>\$ 9,095,974</u>	<u>\$ 1,490,117</u>	<u>\$ 32,995,364</u>	<u>\$ 556,834</u>

See notes to financial statements.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 3,591,686	\$ 323,745	\$ 214,950	\$ 4,130,381	\$ 1,983,281
Cash payments to suppliers for goods and services	(1,482,198)	(89,478)	(160,016)	(1,731,692)	(2,359,831)
Cash payments to employees for services	(1,098,430)	(138,289)	(287,759)	(1,524,478)	(2,950)
Other operating revenue	121,757	-	-	121,757	269,518
Net cash provided (used) by operating activities	1,132,815	95,978	(232,825)	995,968	(109,982)
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	145,235	145,235	-
Grants received	96	-	453,696	453,792	-
Increase in due from other funds	-	(1,752)	(9,407)	(11,159)	-
Increase in due to other funds	-	-	-	-	5,395
Net cash provided (used) by noncapital financing activities	96	(1,752)	589,524	587,868	5,395
Cash flows from capital and related financing activities					
Acquisition and construction of property and equipment	(259,542)	(1,704)	(266,064)	(527,310)	-
Payment of debt	(746,000)	-	-	(746,000)	-
Interest paid	(280,085)	-	-	(280,085)	-
Net cash used by capital and related financing activities	(1,285,627)	(1,704)	(266,064)	(1,553,395)	-
Cash flows from investing activities					
Interest received on investment securities	162,504	4,343	8,979	175,826	39,521
Net increase (decrease) in cash and cash equivalents	9,788	96,865	99,614	206,267	(65,066)
Cash and cash equivalents, beginning	3,721,126	95,846	225,882	4,042,854	972,230
Cash and cash equivalents, ending	\$ 3,730,914	\$ 192,711	\$ 325,496	\$ 4,249,121	\$ 907,164

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewers	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Reconciliation of operating loss to net cash provided (used) by operating activities					
Operating loss	\$ (154,210)	\$ (95,619)	\$ (325,107)	\$ (574,936)	\$ (194,502)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities					
Depreciation	1,198,715	224,136	84,804	1,507,655	-
Changes in assets and liabilities					
Decrease (increase) in receivables	64,482	(4,062)	(2,050)	58,370	(7,317)
Decrease (increase) in inventories and prepaid items	6,846	(116)	(2,009)	4,721	1,800
Increase (decrease) in accounts payable	13,655	(31,760)	7,476	(10,629)	101,385
Increase in accrued liabilities	7,404	3,399	4,061	14,864	-
Decrease in due to other governments	(4,077)	-	-	(4,077)	(11,348)
Total	<u>1,287,025</u>	<u>191,597</u>	<u>92,282</u>	<u>1,570,904</u>	<u>84,520</u>
Net cash provided (used) by operating activities	<u>\$ 1,132,815</u>	<u>\$ 95,978</u>	<u>\$ (232,825)</u>	<u>\$ 995,968</u>	<u>\$ (109,982)</u>
Noncash capital activities					
Contributions of capital assets from other funds and outside sources	<u>\$ 31,650</u>	<u>\$ 195,665</u>	<u>\$ -</u>	<u>\$ 227,315</u>	<u>\$ -</u>

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Police Pension</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 3	\$ 312,759
Liabilities		
Accrued payroll and payroll benefits	-	308,540
Due to other governments	<u> -</u>	<u> 4,219</u>
Total liabilities	<u> -</u>	<u>\$ 312,759</u>
Net assets		
Held in trust for pension benefits	<u>\$ 3</u>	

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Police Pension</u>
Additions	
Contributions, employer	\$ 3,543
Investment income, interest	<u>43</u>
Total additions	3,586
Deductions, benefits	<u>7,133</u>
Change in net assets	(3,547)
Net assets - beginning	<u>3,550</u>
Net assets - ending	<u><u>\$ 3</u></u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marshalltown, Iowa (City) was incorporated in 1863 under the laws of the state of Iowa, later amended in July 1975, under the City Home Rule Act. The City operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Reporting Entity

For financial reporting purposes, the City of Marshalltown, Iowa, has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens, on the City.

These financial statements present the City of Marshalltown, Iowa (the primary government) and its component units. The following component units are entities which are legally separate from the City, but are financially accountable to the City or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units: The Marshalltown Water Works (Water Works) was established to operate the City's water works facilities. The Water Works is governed by a three-member board of trustees appointed by the Mayor. A financial benefit/burden relationship exists between the City and the Water Works in that the City is authorized by statute to issue general obligation debt for a City utility and may certify taxes for the payment of the debt. The Water Works is presented as a proprietary fund type and has a June 30 year-end.

The Marshalltown Convention and Visitors Bureau (Bureau) was established to promote and develop the visitor and convention business and for economic development within the community. The Bureau is governed by a nine-member board of directors comprised of two members appointed solely by the City Council, two members appointed solely by the Executive Board of the Chamber of Commerce and five members appointed jointly by the City Council and Executive Board of the Chamber of Commerce, from the general public (one member) and the hospitality industry (four members). The Bureau may not borrow money or issue bonds without written permission of the City. The Bureau is presented as a proprietary fund type and has a May 31 year-end.

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Complete financial statements for each of the individual component units may be obtained at the respective entity's administrative office as follows:

Marshalltown Water Works
205 East State Street
Marshalltown, Iowa 50158

Marshalltown Convention and Visitors Bureau
709 South Center Street
Marshalltown, Iowa 50158

Jointly Governed Organizations: The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The City Council is a member of or appoints representatives to the following boards and commissions: Mid Iowa Drug Task Force, Marshall County Emergency Management Commission, Marshall County Communication Commission, Marshall County Assessor's Conference Board and the Marshall County Solid Waste Management Commission. Financial transactions relating to these organizations are included in the City's financial statements only to the extent of the City's contributions, if any, to these organizations.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

CITY OF MARSHALLTOWN, IOWA
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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Agency fund financial statements are reported using the accrual basis of accounting but have no measurement focus.

Property taxes are recognized as revenue in the year for which they have been levied, provided they are collected within 60 days after year-end. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 60 days after year-end. Other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are generally recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

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The City reports the following major governmental funds:

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

The *Road Use Tax Fund* is used to account for the operations of street related expenses. Financing is provided by the City's share of state gasoline taxes, which are received on a per capita basis. State law requires these revenues to be received and disbursed in a special fund.

The *HUD Programs Fund* is used to account for the operations of a Federal Section 8 rental voucher assistance program, a grant from HUD to assist with security deposits and first month's rent program, and lead abatement program.

The *Local Option Sales Tax Fund* is used to account for the sale and service taxes collected to be applied to general property tax relief, accumulation of cash reserves and for storm sewer maintenance and improvements and related street repairs.

The *Tax Increment Financing Fund* is used to account for revenue taxes levied for specific uses within the designated district. Specific uses may include the construction of infrastructure and payments associated with debt and other development agreements.

The *Property Tax Fund* is used to account for property tax collections for the emergency fund levy and employee benefits, which are then transferred to the general fund.

The *Debt Service Fund* is used to account for the servicing of general obligation debt.

The *Public Works and Other Projects Fund* is used to account for resources used in the acquisition and construction of capital facilities and other fixed assets with the exception of those that are financed through the Recreation Projects Fund, Airport Fund, or through proprietary funds.

The City reports the following major proprietary funds:

The *Water Pollution Control Fund* is used to account for the operation and maintenance of the City's wastewater treatment facility and sanitary sewer. Services are supported primarily by user charges.

The *Storm Sewer Fund* is used to account for the operation of the City's storm sewers. Services are supported primarily by user charges.

Additionally, the City reports the following fund types:

Internal service funds account for group insurance benefits, occupational insurance benefits, flexible benefits, and workmen's compensation benefits provided to other departments on a cost reimbursement basis.

The Police Pension Trust Fund is used to account for pensions of disabled and retired policemen as provided by Chapter 410 of the Code of Iowa.

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Agency funds function primarily as a clearing mechanism for cash resources which are collected by the City, held as such for a brief period and then disbursed to the authorized recipient. The agency funds of the City are used for payroll clearing activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water pollution control function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash, Cash Equivalents, and Investments. The City maintains a cash and investment pool. These pooled deposits are invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash and investments is recognized as revenue when earned and allocated to the funds on a systematic basis. Cash and investments are separately held by the discretely presented component units for which interest is also recognized as revenue when earned.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. 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 law and is administrated by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

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Property Tax Receivable. Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2006, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2005 and March 31, 2006. Any County collections on the 2004-05 tax levy remitted to the City within sixty days subsequent to June 30, 2006, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2006, are delinquent and have been recorded as receivables. This amount is recorded as deferred revenue in the governmental funds but is recognized as revenue in the government-wide financial statements.

Accounts Receivable and Unbilled Usage. Accounts receivable are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due to Other Funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Due From Other Governments. Due from other governments represents various shared revenues, grants, and reimbursements from other governments. Shared revenues are recognized during the period when received by the collecting authority, the State of Iowa. Federal grant revenue is recognized when expenditures for the purpose of the grant have been incurred in the government-wide financial statements and as long as it meets the measurable and available criteria in the governmental fund statements.

Inventories and Prepaid Items. Inventories of materials and supplies in the proprietary fund types are stated at cost (first-in, first-out).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported prepaid items in governmental funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

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Restricted Assets. Funds set aside for the payment of City enterprise and component unit revenue bonds are classified as restricted assets since their use is restricted by applicable bond indentures. Other restricted assets include funds for customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Deferred Revenue in Governmental Funds. Although certain revenues are measurable, they may not be available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable, special assessments receivable, succeeding year property tax receivable, and other receivables not collected within sixty days after year-end.

Unearned revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences. City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 1,440 hours for municipal fire employees and 1,040 hours for all others, upon retirement if the employee has at least 15 years of service. All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. Governmental funds record the earned vacation and vested sick leave hours as an expenditure of the current year to the extent it is paid during the year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2006.

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The liability is recorded on the statement of net assets based on rates of pay in effect as of June 30, 2006.

Long-Term Obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF MARSHALLTOWN, IOWA
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Fund Equity. In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements and the proprietary fund financial statements, restrictions of net assets are limited to outside third-party restrictions.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life in excess of two years. All land is recorded regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-30
Buildings and structures	30-50
Equipment and vehicles	5-30
Sanitary sewers and lift stations	30-50
Infrastructure	20-50

Property, plant and equipment of the Water Works is depreciated using the straight line method over the following estimated useful lives.

	<u>Years</u>
Plants, wells, and storage	10-40
Distribution property	50-99
Meters	10-20
Vehicles	5
Equipment	7-10

Statement of Cash Flows – Cash Equivalents. For purposes of the statement of cash flows for the proprietary funds and the component units, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase they have a maturity date no longer than three months.

CITY OF MARSHALLTOWN, IOWA
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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amount budgeted.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits. On June 30, 2006, the carrying amount of the City’s deposits was \$15,239,256 and the bank balances were \$15,900,020. The City’s deposits in banks at June 30, 2006, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

As of June 30, 2006, the City’s carrying amount of deposits, related bank balances, and other cash, including fiduciary funds, were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Money market	\$ 1,500,000	\$ 1,500,000
Demand deposits	2,024,939	2,700,020
Certificates of deposits	11,700,000	11,700,000
Petty cash	<u>14,317</u>	<u>-</u>
Total	<u>\$ 15,239,256</u>	<u>\$ 15,900,020</u>

The Marshalltown Water Works’ carrying amount of deposits was \$1,611,713 all of which was 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.

The Convention and Visitors Bureau’s deposits carrying amount and bank balance amount was \$61,528 all of which was covered by federal depository insurance.

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

Interest Rate Risk. The City’s investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City. The City did not hold any instruments with a maturity greater than 397 days during the year.

CITY OF MARSHALLTOWN, IOWA
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Credit Risk. The City’s investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of Credit Risk. The City’s investment policy does not allow for a prime bankers’ acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The City held no such investments during the year.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City’s deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any investments during the year.

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

Interfund balances as of June 30, 2006, consisted of the following:

	Due from				
	General	Local Option Sales Tax	Road Use Tax	Tax Increment Financing	Property Tax
Due to:					
General	\$ -	\$ 10,648	\$ 97,060	\$ -	\$ 422,158
HUD programs	-	-	-	-	4,325
Property tax	-	481,744	-	-	-
Tax increment financing	10,500	-	-	-	-
Public works and other projects	-	-	-	111,056	-
Nonmajor governmental	-	-	-	-	-
Storm sewer	-	-	-	1,752	-
Nonmajor enterprise funds	9,407	-	-	-	-
	<u>\$ 19,907</u>	<u>\$ 492,392</u>	<u>\$ 97,060</u>	<u>\$ 112,808</u>	<u>\$ 426,483</u>

CITY OF MARSHALLTOWN, IOWA
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	Due from			
	Public Works and Other Projects	Nonmajor Govern- mental	Internal Service	Total
Due to:				
General	\$ 128,006	\$ 53,319	\$ 7,857	\$ 719,048
HUD programs	-	-	-	4,325
Property tax	-	-	-	481,744
Tax increment financing	-	-	-	10,500
Public works and other projects	-	22,876	-	133,932
Nonmajor governmental	1,697	-	-	1,697
Storm sewer	-	-	-	1,752
Nonmajor enterprise funds	-	-	-	9,407
	<u>\$ 129,703</u>	<u>\$ 76,195</u>	<u>\$ 7,857</u>	<u>\$ 1,362,405</u>

The interfund balances result from time lag between the time expenditures were incurred and when the actual transfer is made.

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Primary Government: Enterprise Fund, Water Pollution Control	Component Unit: Water Works	<u>\$ 237,805</u>

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Transfers to general fund from	
Road use tax	\$ 709,007
Local option sales tax	20,023
Public works and other projects	244,899
Property tax	2,683,463
Nonmajor governmental funds	<u>10,642</u>
Total transfers to general fund	<u>\$ 3,668,034</u>
Transfers to HUD programs fund from	
Property tax	\$ 18,739
Nonmajor governmental funds	<u>3,969</u>
	<u>\$ 22,708</u>
Transfers to property tax fund from	
Local option sales tax	<u>\$ 1,698,511</u>
Transfers to tax increment financing from	
General	<u>\$ 10,500</u>

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CITY OF MARSHALLTOWN, IOWA
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Transfers to debt service fund from	
Tax increment financing	\$ <u>486,778</u>
Transfers to public works and other projects fund from	
Local option sales tax	\$ 84,192
Road use tax	75,000
Tax increment financing	<u>111,056</u>
Total transfers to public works and other projects fund	<u>\$ 270,248</u>
Transfers to nonmajor governmental funds from	
Public works and other projects	\$ 60,199
Nonmajor governmental funds	<u>50,000</u>
Total transfers to nonmajor governmental funds	<u>\$ 110,199</u>
Transfers to nonmajor enterprise funds from	
General	<u>\$ 145,235</u>

Transfers are used to (1) move property tax revenues from the fund that state statute requires to collect them to the fund that expends the associated expenditure, (2) offset public works salaries within the general fund with road use tax dollars collected, and (3) move a portion of local option sales tax to the fund that is receiving the property tax relief.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Primary Government				
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,768,257	\$ 128,806	\$ (49,871)	\$ 2,847,192
Construction in progress	<u>946,381</u>	<u>150,281</u>	<u>(946,381)</u>	<u>150,281</u>
Total capital assets, not being depreciated	<u>3,714,638</u>	<u>279,087</u>	<u>(996,252)</u>	<u>2,997,473</u>
Capital assets, being depreciated				
Buildings and structures	7,426,139	374,822	(18,734)	7,782,227
Land improvements	1,129,322	149,372	-	1,278,694
Equipment and vehicles	11,838,567	501,715	(638,029)	11,702,253
Infrastructure	<u>25,935,522</u>	<u>3,305,169</u>	<u>(1,083,542)</u>	<u>28,157,149</u>
Total capital assets, being depreciated	<u>46,329,550</u>	<u>4,331,078</u>	<u>(1,740,305)</u>	<u>48,920,323</u>

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CITY OF MARSHALLTOWN, IOWA
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	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Less accumulated depreciation				
Buildings and structures	\$ (2,744,768)	\$ (174,400)	\$ 18,734	\$ (2,900,434)
Land improvements	(174,627)	(51,499)	-	(226,126)
Equipment and vehicles	(5,075,137)	(712,609)	635,676	(5,152,070)
Infrastructure	<u>(10,382,202)</u>	<u>(910,639)</u>	<u>941,220</u>	<u>(10,351,621)</u>
Total accumulated depreciation	<u>(18,376,734)</u>	<u>(1,849,147)</u>	<u>1,595,630</u>	<u>(18,630,251)</u>
Total capital assets, being depreciated, net	<u>27,952,816</u>	<u>2,481,931</u>	<u>(144,675)</u>	<u>30,290,072</u>
Governmental activities capital assets, net	<u>\$ 31,667,454</u>	<u>\$ 2,761,018</u>	<u>\$ (1,140,927)</u>	<u>\$ 33,287,545</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 477,856	\$ 97,168	\$ -	\$ 575,024
Construction in progress	<u>2,887</u>	<u>19,130</u>	<u>(2,887)</u>	<u>19,130</u>
Total capital assets, not being depreciated	<u>480,743</u>	<u>116,298</u>	<u>(2,887)</u>	<u>594,154</u>
Capital assets, being depreciated				
Buildings and structures	11,072,189	78,434	-	11,150,623
Land improvements	1,849,895	-	-	1,849,895
Equipment and vehicles	13,146,296	458,106	(243,075)	13,361,327
Sanitary sewers and lift stations	15,400,034	31,650	-	15,431,684
Infrastructure	<u>10,757,710</u>	<u>79,367</u>	<u>-</u>	<u>10,837,077</u>
Total capital assets, being depreciated	<u>52,226,124</u>	<u>647,557</u>	<u>(243,075)</u>	<u>52,630,606</u>
Less accumulated depreciation				
Buildings and structures	(3,186,663)	(350,507)	-	(3,537,170)
Land improvements	(1,037,082)	(72,344)	-	(1,109,426)
Equipment and vehicles	(7,583,104)	(540,545)	233,635	(7,890,014)
Sanitary sewers and lift stations	(3,109,384)	(328,867)	-	(3,438,251)
Infrastructure	<u>(2,021,183)</u>	<u>(215,392)</u>	<u>-</u>	<u>(2,236,575)</u>
Total accumulated depreciation	<u>(16,937,416)</u>	<u>(1,507,655)</u>	<u>233,635</u>	<u>(18,211,436)</u>
Total capital assets, being depreciated, net	<u>35,288,708</u>	<u>(860,098)</u>	<u>(9,440)</u>	<u>34,419,170</u>
Business-type activities capital assets, net	<u>\$ 35,769,451</u>	<u>\$ (743,800)</u>	<u>\$ (12,327)</u>	<u>\$ 35,013,324</u>

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CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Public safety	\$ 261,124
Public works	1,182,154
Health and social services	1,461
Culture and recreation	370,947
Community and economic development	9,953
General government	<u>23,508</u>
Total depreciation expense – governmental activities	<u>\$ 1,849,147</u>
Business-type activities	
Water pollution control	\$ 1,198,715
Storm sewer	224,136
Compost facility	12,080
Bus transit	<u>72,724</u>
Total depreciation expense – business-type activities	<u>\$ 1,507,655</u>

NOTE 6 – LONG-TERM DEBT

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

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 895,113	\$ 82,802	\$ -	\$ 977,915	\$ 483,113
General obligation bonds and notes payable	17,543,404	1,500,000	1,453,840	17,589,564	1,668,840
Urban renewal tax increment revenue bonds and notes payable	<u>4,637,126</u>	<u>-</u>	<u>341,338</u>	<u>4,295,788</u>	<u>372,350</u>
	<u>23,075,643</u>	<u>1,582,802</u>	<u>1,795,178</u>	<u>22,863,267</u>	<u>2,524,303</u>

CITY OF MARSHALLTOWN, IOWA
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JUNE 30, 2006

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Business-type activities					
Compensated absences payable	\$ 163,336	\$ 7,539	\$ -	\$ 170,875	\$ 83,567
Enterprise funds, revenue bonds payable	3,330,000	-	745,000	2,585,000	770,000
Sewer revenue capital loan note payable	4,348,000	-	1,000	4,347,000	1,000
	<u>7,841,336</u>	<u>7,539</u>	<u>746,000</u>	<u>7,102,875</u>	<u>854,567</u>
Total	<u>\$30,916,979</u>	<u>\$ 1,590,341</u>	<u>\$ 2,541,178</u>	<u>\$29,966,142</u>	<u>\$ 3,378,870</u>

For the governmental activities compensated absences are generally liquidated by the general fund.

The following is a summary of changes in long-term debt for the discretely presented component unit – Water Works for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006	Due Within One Year
Revenue bonds payable	<u>\$ 1,040,000</u>	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 710,000</u>	<u>\$ 345,000</u>

Bonded Debt. Details of the City's bonds and notes payable as of June 30, 2006, are as follows:

	Interest Rates	Govern- mental Activities	Business- type Activities	Total
General obligation bonds and notes				
1999A Essential corporate purpose, issued June 1, 1999	4.30-4.65	\$ 2,050,000	\$ -	\$ 2,050,000
2002A Essential corporate purpose, issued April 1, 2002	4.25-4.85	6,550,000	-	6,550,000
2002B Essential corporate purpose refunding bonds, issued April 1, 2002	3.70-4.05	1,340,000	-	1,340,000
2003A Essential corporate purpose refunding bonds, issued April 1, 2003	2.20-3.75	2,615,000	-	2,615,000
2004A Essential corporate purpose, issued June 1, 2004	4.10-6.00	1,910,000	-	1,910,000
Equipment loan note, issued February 1, 2005	-	124,564	-	124,564

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CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

	Interest Rates	Govern- mental Activities	Business- type Activities	Total
2005B Essential corporate purpose, refunding bonds, issued April 1, 2005	3.10-3.65	\$ 1,500,000	\$ -	\$ 1,500,000
2006A Capital loan notes, issued June 1, 2006	4.15-4.38	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Total general obligation bonds and notes		<u>17,589,564</u>	<u>-</u>	<u>17,589,564</u>
Revenue bonds and notes				
Water Pollution Control refunding bonds, Series 2002C, issued April 1, 2002	3.75	-	670,000	670,000
Urban renewal tax increment, issued June 1, 1999	4.50-4.90	4,045,000	-	4,045,000
Urban renewal tax increment, issued June 30, 2003	5.00	250,788	-	250,788
Water Pollution Control capital loan notes, Series 2003, issued May 15, 2003	3.00	-	4,347,000	4,347,000
Water Pollution Control refunding bonds, Series 2005A, issued April 1, 2005	3.25-3.85	-	<u>1,915,000</u>	<u>1,915,000</u>
Total revenue bonds and notes		<u>4,295,788</u>	<u>6,932,000</u>	<u>11,227,788</u>
Total long-term debt		<u>\$ 21,885,352</u>	<u>\$ 6,932,000</u>	<u>\$ 28,817,352</u>

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

- (1) 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.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond and interest sinking fund for the purpose of making the bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to a separate sewer revenue debt service reserve fund until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying bond principal and interest payments due when insufficient money is available in the sinking fund.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
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- (4) Additional monthly transfers to a sewer improvement fund shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system. This account may be used to pay principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund and the cost of extraordinary maintenance expenses or repairs, renewals, and replacements not included in the annual budget for capital improvements.

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds are not a general obligation of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund, which has been established as a special revenue fund of the City, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area.

Future Requirements to Maturity. Principal and interest requirements to maturity for the City's bonds and notes outstanding as of June 30, 2006, are as follows:

Years Ending June 30	General Obligation Bonds and Notes		Urban Renewal Tax Increment Revenue Bonds and Notes	
	Principal	Interest	Principal	Interest
2007	\$ 1,668,840	\$ 724,187	\$ 372,350	\$ 198,774
2008	1,763,840	655,583	388,438	181,330
2009	1,793,841	592,279	270,000	164,793
2010	1,648,840	524,970	280,000	152,643
2011	1,763,841	460,137	290,000	140,043
2012-2016	7,555,362	1,227,885	1,600,000	492,882
2017-2020	1,395,000	74,913	1,095,000	107,815
Total	<u>\$ 17,589,564</u>	<u>\$ 4,259,954</u>	<u>\$ 4,295,788</u>	<u>\$ 1,438,280</u>

Years Ending June 30	Total Governmental Activities		Water Pollution Control Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 2,041,190	\$ 922,961	\$ 770,000	\$ 94,359
2008	2,152,278	836,913	260,000	65,983
2009	2,063,841	757,072	260,000	56,753
2010	1,928,840	677,613	260,000	47,523
2011	2,053,841	600,180	260,000	38,293
2012-2016	9,155,362	1,720,767	775,000	58,646
2017-2020	2,490,000	182,728	-	-
Total	<u>\$ 21,885,352</u>	<u>\$ 5,698,234</u>	<u>\$ 2,585,000</u>	<u>\$ 361,557</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
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Years Ending June 30	Water Pollution Control Capital Loan Note		Total Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 1,000	\$ 130,410	\$ 771,000	\$ 224,769
2008	306,000	130,380	566,000	196,363
2009	315,000	121,200	575,000	177,953
2010	325,000	111,750	585,000	159,273
2011	335,000	102,000	595,000	140,293
2012-2016	1,831,000	353,130	2,606,000	411,776
2017-2020	1,234,000	74,790	1,234,000	74,790
Total	<u>\$ 4,347,000</u>	<u>\$ 1,023,660</u>	<u>\$ 6,932,000</u>	<u>\$ 1,385,217</u>

Years Ending June 30	Water Works Revenue Bonds	
	Principal	Interest
2007	\$ 345,000	\$ 28,228
2008	365,000	14,600
Total	<u>\$ 710,000</u>	<u>\$ 42,828</u>

Legal Debt Margin. The City's legal debt margin as of June 30, 2006, is as follows:

Regular realty valuations	\$ 898,088,147
Utility valuations	98,401,496
Incremental valuations	44,482,642
Total actual valuations applicable to debt	<u>\$1,040,972,285</u>
Debt limit - 5% of total actual valuations applicable to debt	<u>\$ 52,048,614</u>
Amount of debt applicable to limitation	
General obligation bonds and notes	\$ 17,589,564
Urban renewal tax increment revenue bonds	<u>4,295,788</u>
	21,885,352
Less funds available from	
Debt Service Fund	238,506
Tax Increment Financing	998,446
Total debt applicable to debt margin	<u>20,648,400</u>
Legal debt margin	<u>\$ 31,400,214</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7 – PENSION AND RETIREMENT SYSTEMS

The City has three pension and retirement systems that cover substantially all of its employees. These systems are the Municipal Fire and Police Retirement System of Iowa, Chapter 410 Police Pension System, and the Iowa Public Employees Retirement System. The Water Works, a component unit, maintains the Marshalltown Water Works Supplemental Retirement Pension System.

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 issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City was required to contribute 28.21% for the year ended June 30, 2006, 24.92% for 2005, and 20.48% for 2004, of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2006, 2005, and 2004, were \$899,448, \$859,377, and \$629,726, respectively, which met the required minimum contribution for each year.

Chapter 410 Police Pension System. Chapter 410 of the Code of Iowa creates a retirement system for police officers of any City qualified to participate under this Chapter. Any duly appointed member of the police department whose appointment occurred before March 2, 1934, or police who had been making payments of membership fees and assessments prior to July 1, 1971, may be a member of the system. The pension plan is accounted for by the City in the Pension Trust Fund.

The plan, a single-employer defined benefit pension plan, is administered by the Police Pension Board of Trustees and provides retirement, disability, and death benefits. The benefits are established under state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to fifty percent of the monthly salary at retirement or disability and twenty-five percent of the monthly salary at death.

There is one active beneficiary in the plan. The plan is normally funded through a property tax levy, and currently the City expects to continue to levy the tax as long as the benefit is required to be paid equal to the required contributions for the year. This year there were sufficient funds on hand negating the need for an additional levy. The City's contributions to the retirement system for the years ended June 30, 2006, 2005, and 2004, were \$3,543, \$0, and \$9,535, respectively.

Iowa Public Employees Retirement System (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.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
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Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$248,089, \$254,760, and \$250,767, respectively, equal to the required contributions for each year.

Marshalltown Water Works Supplemental Retirement Pension System. The Marshalltown Water Works Supplemental Retirement Pension System (Plan) is a single-employer defined benefit pension plan that covers all full-time Water Works employees. The plan provides retirement, death, and disability benefits to plan members. The plan is administered by American Trust and Savings Bank. The Supplemental Retirement Pension System does not have an audited report available for review.

The plan was established by the Marshalltown Water Works Board of Trustees on September 30, 1953. The plan was restated and amended on January 1, 1986. The contribution requirements of plan members and the Water Works are established by the Board of Trustees and may be amended by the Board of Trustees at any time. Contribution percentages are actuarially determined rates. Plan members are required to contribute 2.25% of their annual covered salary. The Water Works is required to contribute 5.25% of annual covered payroll.

The Water Works annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$	29,456
Annual pension cost		29,456
Contributions made		29,456
Increase in net pension obligation		-
Net pension obligations, beginning of year		-
Net pension obligations, end of year		-

The annual required contribution for the current year was estimated based on the April 1, 2004, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 5%. Both (a) and (b) include an inflation component and postretirement benefit increases of 0%. The unfunded actuarial accrued liability is being amortized as an open period, level dollar. The information disclosing the remaining years to amortize is not available to the City.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2006	\$ 29,456	100.0%	\$ -
June 30, 2005	24,399	100.0%	-
June 30, 2004	24,977	100.0%	-

CITY OF MARSHALLTOWN, IOWA
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For employees who choose not to participate in the Marshalltown Water Works Supplemental Retirement Pension System (Plan), the Water Works contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Water Works is required to contribute 5.75% of annual covered salary. Contribution requirements are established by state statute. The Water Works' contributions to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$22,471, \$22,974, and \$23,121, respectively, equal to the required contributions for each year.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

The City provides postemployment life and healthcare benefits, as allowed by Chapter 509A of the Code of Iowa, to all City employees (bargaining unit and nonbargaining unit employees) who retire from the City. Upon retirement, all employees may elect to continue coverage under the City's group health and accident insurance. However, the City will pay one-half of the insurance premiums for those employees who generally have at least 15 years of continuous service as of the date of normal retirement. Employees under the firefighters union agreement must meet service retirement or disability retirement as defined under Chapter 411 of the Code of Iowa for the City to pay one-half of the monthly premiums. Currently, 53 retirees, 7 surviving spouses, and 2 former employees have maintained the City's group health and accident insurance coverage, of which 51 meet the eligibility requirements for the City to pay one-half or a portion of the cost of such insurance. Expenditures for postemployment healthcare benefits are recognized on a monthly basis when the premiums are paid. During the year ended June 30, 2006, the City paid \$232,738 in premiums for postemployment healthcare coverage, of which \$200,821 was reimbursed to the City by the insured individuals and \$31,917 represents the City's cost of the coverage.

NOTE 9 – RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool (the Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose over 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

CITY OF MARSHALLTOWN, IOWA
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JUNE 30, 2006

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim for a total of \$3,000,000 in coverage and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. The City of Marshalltown has elected \$6,000,000 in coverage. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceed the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the City's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

Members who elect property coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions. The City opted to purchase property and casualty coverage from Chub and not participate in the risk pool. With this carrier the City of Marshalltown has a \$34,214,067 blanket limit for premises and \$975,101 for Inland Marine. As a commercial carrier, no additional liability is recorded in the financial statements of the City.

The City has established a Group Insurance Benefits Fund for insuring health benefits provided to City employees and covered dependents which is included as an internal service fund. Health benefits were self-insured up to a specific stop loss amount of \$80,000 and an aggregate stop loss of approximately \$1,815,000 for 2006. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Reported claims as of June 30, 2006, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses.

All operating funds of the City participate in the program and make payments to the Group Insurance Benefits Fund based on actuarial estimates of the amounts needed to pay prior and current year claims.

CITY OF MARSHALLTOWN, IOWA
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The City has established an Occupational Insurance Benefits Fund to self insure for workers' compensation benefits for all currently employed police officers and firefighters and police officers and firefighters who have retired due to an accidental disability prior to December 1992, in accordance with Chapter 411.15 of the Code of Iowa. The General Fund is charged for benefits paid to police officers and firefighters by the Occupational Insurance Benefits Fund, which is also accounted for as an internal service fund. Reported claims as of June 30, 2006, as well as incurred but not reported claims, have been accrued as a liability based upon the City's best estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses. There is no stop loss insurance for this coverage.

The claims liabilities of \$364,929 in the Group Insurance Benefits Fund and \$1,471 in the Occupational Insurance Benefits Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2006 and 2005, are summarized as follows:

	Group Insurance Benefits Fund	Occupational Insurance Benefits Fund
	<u> </u>	<u> </u>
Liabilities as of June 30, 2004	\$ 242,954	\$ 434
Claims and changes in estimates during fiscal year 2005	1,362,417	29,950
Claim payments	<u>(1,343,852)</u>	<u>(28,092)</u>
Liabilities as of June 30, 2005	261,519	2,292
Claims and changes in estimates during fiscal year 2006	1,963,684	73,700
Claim payments	<u>(1,860,274)</u>	<u>(74,521)</u>
	<u>\$ 364,929</u>	<u>\$ 1,471</u>

NOTE 10 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, there was one issue of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$640,662.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 11 – CONDUIT DEBT

In October 1998, the City participated in the issuance of one note payable as part of the Community Economic Betterment Act (CEBA) Program of the state of Iowa. The note was issued to a business in the City. The repayment of the loan is made directly from the business back to the State. The note is payable solely from the business participating in the CEBA program. The outstanding balance on the note at June 30, 2006, totals \$48,921.

NOTE 12 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees, until termination, retirement, death, or unforeseeable emergency. The plan complies with IRC Section 457(g), which allows for the plan to hold its assets in trust. Under these requirements, the City does not own the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements.

NOTE 13 – COMMITMENTS

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2006. The City has additional commitments for signed construction contracts of approximately \$917,000 as of June 30, 2006.

NOTE 14 – MAJOR CUSTOMER

The financial statements of the Water Pollution Control Enterprise Fund include sales and receivables from Swift and Company, a major customer, of \$1,090,358 and \$96,518, respectively.

NOTE 15 – LITIGATION

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 16 – DEFICIT BALANCES

At June 30, 2006, funds with deficit balances were as follows:

Special Revenue Funds – Grant Fund	\$	40,582
Capital Projects Funds - Airport Projects		38,796

These deficit balances are the result of funds due from other governments which were deferred because they were received after the accrual period was over.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 17 – MARSHALLTOWN FRIENDS OF THE LIBRARY

The Marshalltown Friends of the Library have been very active in the design and promotion of a new library. It is anticipated that next year there will be substantial contributions from the Organization in support of the project, which will be reflected in the financial report as an agency contributing to the capital project. At June 30, 2006, the pledge drive was just beginning, therefore no activity is reflected in this report.

NOTE 18 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued four statements not yet implemented by the City of Marshalltown. The statements which might impact the City of Marshalltown are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement is effective for the fiscal year ended June 30, 2006.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MARSHALLTOWN, IOWA
 REQUIRED SUPPLEMENTARY INFORMATION
 MARSHALLTOWN WATER WORKS SUPPLEMENTAL RETIREMENT PENSION SYSTEM**

Schedule of Funding Progress

Actuarial Valuation Date *	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL/UAAL as a Percentage of Covered Payroll [(b-a)/c]
April 1, 2006	\$ 1,310,753	\$ 1,951,458	\$ 640,705	67.17%	\$ 443,801	144.4%
April 1, 2005	1,350,451	1,899,344	548,893	71.10%	424,317	129.4%
April 1, 2004	1,457,419	1,836,270	378,851	79.37%	434,376	87.2%

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated. Additional information follows:

1. The cost method used to determine the ARC is the frozen entry age method.
2. The assets are shown at fair value.
3. Economic assumptions are as follows: investment return rate of 8%, salary increase of 5%, inflation rate 0%.
4. The amortization method is open period, assumed level dollar.

* The last actuarial valuation was performed on April 1, 2004. Estimated values have been calculated as of April 1, 2006 and 2005.

CITY OF MARSHALLTOWN, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
BALANCES – BUDGET AND ACTUAL (CASH BASIS)
GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006

	Actual			Budgeted Amounts		Final to Actual Variance
	Governmental Funds	Enterprise Funds	Total	Original Budget	Final Budget	
Receipts						
Property taxes	\$ 6,988,382	\$ -	\$ 6,988,382	\$ 7,363,490	\$ 7,363,490	\$ (375,108)
TIF revenues	1,490,993	-	1,490,993	1,454,000	1,454,000	36,993
Other city taxes	3,845,347	-	3,845,347	3,832,955	3,832,955	12,392
Use of money and property	497,845	207,609	705,454	428,275	487,566	217,888
Licenses and permits	281,922	17,376	299,298	310,274	318,174	(18,876)
Intergovernmental	6,907,781	459,374	7,367,155	6,560,385	8,615,357	(1,248,202)
Charges for service	966,884	4,096,977	5,063,861	4,819,663	4,823,782	240,079
Special assessments	212,837	860	213,697	1,500	276,762	(63,065)
Miscellaneous	417,054	200,380	617,434	407,820	508,298	109,136
Other financing sources	1,552,259	5,250	1,557,509	1,749,000	1,696,500	(138,991)
Total receipts	<u>23,161,304</u>	<u>4,987,826</u>	<u>28,149,130</u>	<u>26,927,362</u>	<u>29,376,884</u>	<u>(1,227,754)</u>
Disbursements						
Public safety	6,899,803	-	6,899,803	7,474,634	7,579,282	679,479
Public works	2,809,343	-	2,809,343	2,987,169	3,419,609	610,266
Health and social services	1,386,307	-	1,386,307	985,157	1,711,916	325,609
Culture and recreation	2,187,698	-	2,187,698	2,229,568	2,394,271	206,573
Community and economic development	1,668,970	-	1,668,970	1,951,484	1,951,484	282,514
General government	956,920	-	956,920	1,066,507	1,066,507	109,587
Debt service	2,619,590	-	2,619,590	2,688,538	2,688,538	68,948
Capital projects	3,488,131	-	3,488,131	3,604,345	4,725,882	1,237,751
Business-type activities	-	4,878,552	4,878,552	5,109,731	5,251,571	373,019
Total disbursements	<u>22,016,762</u>	<u>4,878,552</u>	<u>26,895,314</u>	<u>28,097,133</u>	<u>30,789,060</u>	<u>3,893,746</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,144,542</u>	<u>109,274</u>	<u>1,253,816</u>	<u>(1,169,771)</u>	<u>(1,412,176)</u>	<u>2,665,992</u>
Other financing sources (uses)						
Transfers in	5,577,141	135,828	5,712,969	7,208,441	7,326,760	(1,613,791)
Transfers out	(5,674,135)	(38,834)	(5,712,969)	(7,208,441)	(7,326,760)	1,613,791
Total other financing sources (uses)	<u>(96,994)</u>	<u>96,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,047,548	206,268	1,253,816	(1,169,771)	(1,412,176)	2,665,992
Fund balances, beginning	<u>8,718,517</u>	<u>4,042,854</u>	<u>12,761,371</u>	<u>9,290,166</u>	<u>12,761,371</u>	<u>-</u>
Fund balances, ending	<u>\$ 9,766,065</u>	<u>\$ 4,249,122</u>	<u>\$ 14,015,187</u>	<u>\$ 8,120,395</u>	<u>\$ 11,349,195</u>	<u>\$ 2,665,992</u>

CITY OF MARSHALLTOWN, IOWA
BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds			Enterprise Funds		
		Accrual	Modified		Accrual	
	Cash Basis	Adjustments	Accrual Basis	Cash Basis	Adjustments	Accrual Basis
Revenues	\$ 23,161,304	\$ (1,652,639)	\$ 21,508,665	\$ 4,987,826	\$ (109,432)	\$ 4,878,394
Expenditures/expenses	<u>22,016,762</u>	<u>257,501</u>	<u>22,274,263</u>	<u>4,878,552</u>	<u>178,944</u>	<u>5,057,496</u>
Net	1,144,542	(1,910,140)	(765,598)	109,274	(288,376)	(179,102)
Other financing sources, net	(96,994)	1,519,175	1,422,181	96,994	238,388	335,382
Beginning fund balances/net assets	<u>8,718,517</u>	<u>939,342</u>	<u>9,657,859</u>	<u>4,042,854</u>	<u>28,796,230</u>	<u>32,839,084</u>
Ending fund balances/net assets	<u>\$ 9,766,065</u>	<u>\$ 548,377</u>	<u>\$ 10,314,442</u>	<u>\$ 4,249,122</u>	<u>\$ 28,746,242</u>	<u>\$ 32,995,364</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments were prepared with the required public hearing. The amendment increased governmental activity budgeted disbursements by \$2,550,087 and \$141,840 for the business-type disbursements.

During the year ended June 30, 2006, no disbursements exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

E-911 Surcharge – To account for activity associated with the 911 Communication Commission.

Grant Fund – To account for various state and federal grant activities.

Special Contributions – To reflect activities associated with donations and special contributions to various City departments.

Other – To account for other various revenues, seized assets, City tort liability, special assessments and economic development gift funding.

CAPITAL PROJECTS FUNDS

Airport Projects – To account for ongoing projects at the municipal airport.

Culture and Recreation Projects – To account for resources used in the acquisition and construction of capital facilities and other capital assets associated with the City's culture and recreation function.

PERMANENT FUND

Campground Foundation – A permanent fund for the improvement of Riverview Park Campground.

CITY OF MARSHALLTOWN, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Special</u>	
	<u>E-911</u>	
	<u>Surcharge</u>	<u>Grant Fund</u>
Assets		
Cash and cash equivalents	\$ 197,238	\$ -
Receivables		
Accounts and unbilled usage	-	-
Interest	1,173	4
Due from other funds	-	-
Due from other governments	61,976	65,486
Prepaid items	<u>40,117</u>	<u>-</u>
Total assets	<u>\$ 300,504</u>	<u>\$ 65,490</u>
Liabilities and fund balances		
Liabilities		
Accounts payable	\$ 11,593	\$ 28,242
Accrued payroll and payroll benefits	-	3,189
Retainage payable	-	-
Deferred revenue		
Other	-	17,479
Due to other governments	-	4,031
Due to other funds	<u>-</u>	<u>53,131</u>
Total liabilities	<u>11,593</u>	<u>106,072</u>
Fund balances		
Reserved for		
Prepaid items	40,117	-
Endowments	-	-
Unreserved	<u>248,794</u>	<u>(40,582)</u>
Total fund balances	<u>288,911</u>	<u>(40,582)</u>
Total liabilities and fund balances	<u>\$ 300,504</u>	<u>\$ 65,490</u>

Revenue Funds			Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Special Contributions	Other	Total	Airport Projects	Culture and Recreation Projects	Campground Foundation	
\$ 139,403	\$ 188,567	\$ 525,208	\$ -	\$ 378,478	\$ 2,445	\$ 906,131
-	634	634	-	16,368	-	17,002
2,048	23	3,248	-	1,397	22	4,667
-	1,697	1,697	-	-	-	1,697
1,780	-	129,242	63,026	26,698	-	218,966
441	-	40,558	-	-	-	40,558
<u>\$ 143,672</u>	<u>\$ 190,921</u>	<u>\$ 700,587</u>	<u>\$ 63,026</u>	<u>\$ 422,941</u>	<u>\$ 2,467</u>	<u>\$ 1,189,021</u>
\$ 5,278	\$ 3,993	\$ 49,106	\$ 4,130	\$ 17,817	\$ -	\$ 71,053
96	-	3,285	-	-	-	3,285
-	-	-	35,857	-	-	35,857
-	634	18,113	38,771	43,066	-	99,950
-	-	4,031	-	-	-	4,031
-	-	53,131	23,064	-	-	76,195
<u>5,374</u>	<u>4,627</u>	<u>127,666</u>	<u>101,822</u>	<u>60,883</u>	<u>-</u>	<u>290,371</u>
441	-	40,558	-	-	-	40,558
-	-	-	-	-	2,467	2,467
<u>137,857</u>	<u>186,294</u>	<u>532,363</u>	<u>(38,796)</u>	<u>362,058</u>	<u>-</u>	<u>855,625</u>
<u>138,298</u>	<u>186,294</u>	<u>572,921</u>	<u>(38,796)</u>	<u>362,058</u>	<u>2,467</u>	<u>898,650</u>
<u>\$ 143,672</u>	<u>\$ 190,921</u>	<u>\$ 700,587</u>	<u>\$ 63,026</u>	<u>\$ 422,941</u>	<u>\$ 2,467</u>	<u>\$ 1,189,021</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Special</u>	
	<u>E-911</u>	
	<u>Surcharge</u>	<u>Grant Fund</u>
Revenues		
Other city taxes	\$ 244,697	\$ -
Use of money and property	6,379	712
Intergovernmental	-	264,171
Charges for service	-	-
Miscellaneous	<u>1,579</u>	<u>1,000</u>
Total revenues	<u>252,655</u>	<u>265,883</u>
Expenditures		
Current		
Public safety	162,720	295,585
Public works	-	-
Health and social services	-	429
Culture and recreation	-	-
General government	<u>-</u>	<u>71</u>
Total expenditures	<u>162,720</u>	<u>296,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>89,935</u>	<u>(30,202)</u>
Other financing sources (uses)		
Transfers in	-	-
Transfers out	<u>-</u>	<u>(14,611)</u>
Total other financing sources (uses)	<u>-</u>	<u>(14,611)</u>
Net change in fund balances	89,935	(44,813)
Fund balances - beginning	<u>198,976</u>	<u>4,231</u>
Fund balances - ending	<u>\$ 288,911</u>	<u>\$ (40,582)</u>

Revenue Funds			Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Special Contributions	Other	Total	Airport Projects	Culture and Recreation Projects	Campground Foundation	
\$ -	\$ -	\$ 244,697	\$ -	\$ -	\$ -	\$ 244,697
9,070	7,402	23,563	-	14,990	101	38,654
-	-	264,171	766,438	191,567	-	1,222,176
44,116	-	44,116	-	2,169	-	46,285
44,433	28,923	75,935	-	8,835	-	84,770
<u>97,619</u>	<u>36,325</u>	<u>652,482</u>	<u>766,438</u>	<u>217,561</u>	<u>101</u>	<u>1,636,582</u>
2,519	25,243	486,067	-	-	-	486,067
-	3,893	3,893	868,254	-	-	872,147
-	-	429	-	-	-	429
92,220	11,834	104,054	-	345,783	-	449,837
-	-	71	-	-	-	71
<u>94,739</u>	<u>40,970</u>	<u>594,514</u>	<u>868,254</u>	<u>345,783</u>	<u>-</u>	<u>1,808,551</u>
<u>2,880</u>	<u>(4,645)</u>	<u>57,968</u>	<u>(101,816)</u>	<u>(128,222)</u>	<u>101</u>	<u>(171,969)</u>
-	1,697	1,697	58,502	50,000	-	110,199
<u>(50,000)</u>	<u>-</u>	<u>(64,611)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,611)</u>
<u>(50,000)</u>	<u>1,697</u>	<u>(62,914)</u>	<u>58,502</u>	<u>50,000</u>	<u>-</u>	<u>45,588</u>
(47,120)	(2,948)	(4,946)	(43,314)	(78,222)	101	(126,381)
<u>185,418</u>	<u>189,242</u>	<u>577,867</u>	<u>4,518</u>	<u>440,280</u>	<u>2,366</u>	<u>1,025,031</u>
<u>\$ 138,298</u>	<u>\$ 186,294</u>	<u>\$ 572,921</u>	<u>\$ (38,796)</u>	<u>\$ 362,058</u>	<u>\$ 2,467</u>	<u>\$ 898,650</u>

NONMAJOR ENTERPRISE FUNDS

Compost Facility – To account for the operation and maintenance of the City’s facility for yard wastes. Services are supported primarily by user charges.

Bus Transit – To account for the City’s mass transit operations. Services are supported primarily from transit property taxes accounted for and transferred from the General Fund, intergovernmental revenues, and user charges.

Recreation Concessions – To account for the concessions activity of the municipal swimming pool and coliseum. Services are supported by user fees.

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2006

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 55,118	\$ 199,928	\$ 70,450	\$ 325,496
Receivables				
Accounts and unbilled usage	247	2,066	-	2,313
Interest	161	2,033	29	2,223
Due from other funds	-	9,407	-	9,407
Due from other governments	-	4,886	-	4,886
Inventories	7,262	-	-	7,262
Prepaid items	410	10,785	147	11,342
Total current assets	<u>63,198</u>	<u>229,105</u>	<u>70,626</u>	<u>362,929</u>
Noncurrent assets				
Capital assets				
Land	10,437	-	-	10,437
Land improvements	235,361	7,735	-	243,096
Buildings and structures	26,919	677,129	-	704,048
Equipment and vehicles	66,851	834,800	-	901,651
Accumulated depreciation	(192,243)	(503,474)	-	(695,717)
Total noncurrent assets	<u>147,325</u>	<u>1,016,190</u>	<u>-</u>	<u>1,163,515</u>
Total assets	<u>210,523</u>	<u>1,245,295</u>	<u>70,626</u>	<u>1,526,444</u>
Liabilities				
Current liabilities				
Accounts payable	86	11,416	4,785	16,287
Accrued payroll and payroll benefits	607	4,101	1,238	5,946
Compensated absences	-	4,648	-	4,648
Total current liabilities	<u>693</u>	<u>20,165</u>	<u>6,023</u>	<u>26,881</u>
Noncurrent liabilities				
Compensated absences	-	9,446	-	9,446
Total liabilities	<u>693</u>	<u>29,611</u>	<u>6,023</u>	<u>36,327</u>
Net assets				
Invested in capital assets	147,325	1,016,190	-	1,163,515
Unrestricted	<u>62,505</u>	<u>199,494</u>	<u>64,603</u>	<u>326,602</u>
Total net assets	<u>\$ 209,830</u>	<u>\$ 1,215,684</u>	<u>\$ 64,603</u>	<u>\$ 1,490,117</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for service	\$ 26,627	\$ 118,473	\$ 67,014	\$ 212,114
Operating expenses				
Salaries and benefits	25,199	247,832	18,789	291,820
Services and supplies	6,787	117,874	35,936	160,597
Depreciation	12,080	72,724	-	84,804
Total operating expenses	44,066	438,430	54,725	537,221
Operating income (loss)	(17,439)	(319,957)	12,289	(325,107)
Nonoperating revenues				
Federal and state grants	-	453,696	-	453,696
Interest income	2,623	5,842	2,375	10,840
Total nonoperating revenues	2,623	459,538	2,375	464,536
Income (loss) before transfers	(14,816)	139,581	14,664	139,429
Transfers in	-	145,235	-	145,235
Change in net assets	(14,816)	284,816	14,664	284,664
Total net assets - beginning	224,646	930,868	49,939	1,205,453
Total net assets - ending	\$ 209,830	\$ 1,215,684	\$ 64,603	\$ 1,490,117

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities				
Cash received from customers	\$ 27,618	\$ 120,318	\$ 67,014	\$ 214,950
Cash payments to suppliers for goods and services	(8,379)	(115,378)	(36,259)	(160,016)
Cash payments to employees for services	<u>(24,851)</u>	<u>(244,274)</u>	<u>(18,634)</u>	<u>(287,759)</u>
Net cash provided (used) by operating activities	<u>(5,612)</u>	<u>(239,334)</u>	<u>12,121</u>	<u>(232,825)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	-	145,235	-	145,235
Grants received	-	453,696	-	453,696
Increase in due from other funds	<u>-</u>	<u>(9,407)</u>	<u>-</u>	<u>(9,407)</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>589,524</u>	<u>-</u>	<u>589,524</u>
Cash flows from capital and related financing activities				
Acquisition and construction of property and equipment	<u>-</u>	<u>(266,064)</u>	<u>-</u>	<u>(266,064)</u>
Cash flows from investing activities				
Interest received on investment securities	<u>2,824</u>	<u>3,809</u>	<u>2,346</u>	<u>8,979</u>
Net increase (decrease) in cash and cash equivalents	(2,788)	87,935	14,467	99,614
Cash and cash equivalents, beginning	<u>57,906</u>	<u>111,993</u>	<u>55,983</u>	<u>225,882</u>
Cash and cash equivalents, ending	<u>\$ 55,118</u>	<u>\$ 199,928</u>	<u>\$ 70,450</u>	<u>\$ 325,496</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS (continued)
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (17,439)	\$ (319,957)	\$ 12,289	\$ (325,107)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	12,080	72,724	-	84,804
Changes in assets and liabilities				
Decrease (increase) in receivables	991	(3,041)	-	(2,050)
Increase in inventories and prepaid items	(1,648)	(320)	(41)	(2,009)
Increase (decrease) in accounts payable	56	7,702	(282)	7,476
Increase in accrued liabilities	348	3,558	155	4,061
Total adjustments	<u>11,827</u>	<u>80,623</u>	<u>(168)</u>	<u>92,282</u>
Net cash provided (used) by operating activities	<u>\$ (5,612)</u>	<u>\$ (239,334)</u>	<u>\$ 12,121</u>	<u>\$ (232,825)</u>

INTERNAL SERVICE FUNDS

Group Insurance Benefits – To account for employee health insurance premium and claim payments.

Occupational Insurance Benefits – To account for medical claims associated with work related injuries and disabled policemen and firemen.

Flexible Benefits – To account for the employee flexible benefit plan resources and claims.

Workmen's Compensation Deductible – To account for workmen's compensation deductible insurance claims.

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2006

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 427,867	\$ 438,326	\$ -	\$ 40,971	\$ 907,164
Receivables					
Accounts	7,317	-	-	-	7,317
Interest	1,803	3,090	-	369	5,262
Due from other governments	11,348	-	-	-	11,348
Total current assets	<u>448,335</u>	<u>441,416</u>	<u>-</u>	<u>41,340</u>	<u>931,091</u>
Liabilities					
Current liabilities					
Accounts payable	364,929	1,471	-	-	366,400
Due to other funds	-	-	7,857	-	7,857
Total current liabilities	<u>364,929</u>	<u>1,471</u>	<u>7,857</u>	<u>-</u>	<u>374,257</u>
Total net assets (deficit) - unrestricted	<u>\$ 83,406</u>	<u>\$ 439,945</u>	<u>\$ (7,857)</u>	<u>\$ 41,340</u>	<u>\$ 556,834</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2006

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Operating revenues					
Charges for service	\$ 1,777,112	\$ 154,029	\$ 59,457	\$ -	\$ 1,990,598
Miscellaneous	<u>269,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,518</u>
Total operating revenues	<u>2,046,630</u>	<u>154,029</u>	<u>59,457</u>	<u>-</u>	<u>2,260,116</u>
Operating expenses					
Salaries and benefits	2,950	-	-	-	2,950
Services and supplies	14,870	-	1,690	-	16,560
Claims paid	1,963,684	73,700	62,516	10,722	2,110,622
Health insurance premiums	232,737	109	-	-	232,846
Miscellaneous	<u>90,097</u>	<u>1,543</u>	<u>-</u>	<u>-</u>	<u>91,640</u>
Total operating expenses	<u>2,304,338</u>	<u>75,352</u>	<u>64,206</u>	<u>10,722</u>	<u>2,454,618</u>
Operating income (loss)	(257,708)	78,677	(4,749)	(10,722)	(194,502)
Nonoperating revenues					
Interest income	<u>19,973</u>	<u>17,358</u>	<u>-</u>	<u>1,919</u>	<u>39,250</u>
Change in net assets	(237,735)	96,035	(4,749)	(8,803)	(155,252)
Total net assets (deficit) - beginning	<u>321,141</u>	<u>343,910</u>	<u>(3,108)</u>	<u>50,143</u>	<u>712,086</u>
Total net assets (deficit) - ending	<u>\$ 83,406</u>	<u>\$ 439,945</u>	<u>\$ (7,857)</u>	<u>\$ 41,340</u>	<u>\$ 556,834</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2006

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Cash flows from operating activities					
Cash received from customers	\$ 1,769,795	\$ 154,029	\$ 59,457	\$ -	\$ 1,983,281
Cash payments to suppliers for goods and services	(2,207,526)	(76,173)	(64,852)	(11,280)	(2,359,831)
Cash payments to employees for services	(2,950)	-	-	-	(2,950)
Other operating revenue	269,518	-	-	-	269,518
Net cash provided (used) by operating activities	<u>(171,163)</u>	<u>77,856</u>	<u>(5,395)</u>	<u>(11,280)</u>	<u>(109,982)</u>
Cash flows from noncapital financing activities					
Increase in due to other funds	-	-	5,395	-	5,395
Cash flows from investing activities					
Interest received on investment securities	19,769	17,940	-	1,812	39,521
Net increase (decrease) in cash and cash equivalents	(151,394)	95,796	-	(9,468)	(65,066)
Cash and cash equivalents, beginning	579,261	342,530	-	50,439	972,230
Cash and cash equivalents, ending	<u>\$ 427,867</u>	<u>\$ 438,326</u>	<u>\$ -</u>	<u>\$ 40,971</u>	<u>\$ 907,164</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (257,708)	\$ 78,677	\$ (4,749)	\$ (10,722)	\$ (194,502)
Changes in assets and liabilities					
Increase in receivables	(7,317)	-	-	-	(7,317)
Decrease in prepaid items	1,800	-	-	-	1,800
Increase (decrease) in accounts payable	103,410	(821)	(646)	(558)	101,385
Decrease in due to other governments	(11,348)	-	-	-	(11,348)
Total	<u>86,545</u>	<u>(821)</u>	<u>(646)</u>	<u>(558)</u>	<u>84,520</u>
Net cash provided (used) by operating activities	<u>\$ (171,163)</u>	<u>\$ 77,856</u>	<u>\$ (5,395)</u>	<u>\$ (11,280)</u>	<u>\$ (109,982)</u>

FIDUCIARY FUNDS

Agency funds are used to account for funds where the City acts as custodian. Agency funds are:

Payroll Fund – For the internal accounting of payroll and associated liability payments.

Other – To account for other miscellaneous activities associated with City agencies.

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
PAYROLL FUND				
Assets				
Cash and cash equivalents	\$ 236,322	\$ 28,482,579	\$ 28,410,361	\$ 308,540
Prepaid items	<u>14,292</u>	<u>-</u>	<u>14,292</u>	<u>-</u>
Total assets	<u>\$ 250,614</u>	<u>\$ 28,482,579</u>	<u>\$ 28,424,653</u>	<u>\$ 308,540</u>
Liabilities				
Accrued payroll and payroll benefits	<u>\$ 250,614</u>	<u>\$ 28,482,579</u>	<u>\$ 28,424,653</u>	<u>\$ 308,540</u>
OTHER				
Assets				
Cash and cash equivalents	<u>\$ 1,848</u>	<u>\$ 15,503</u>	<u>\$ 13,132</u>	<u>\$ 4,219</u>
Liabilities				
Due to other governments	<u>\$ 1,848</u>	<u>\$ 15,774</u>	<u>\$ 13,403</u>	<u>\$ 4,219</u>
ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 238,170	\$ 28,498,082	\$ 28,423,493	\$ 312,759
Prepaid items	<u>14,292</u>	<u>-</u>	<u>14,292</u>	<u>-</u>
Total assets	<u>\$ 252,462</u>	<u>\$ 28,498,082</u>	<u>\$ 28,437,785</u>	<u>\$ 312,759</u>
Liabilities				
Accrued payroll and payroll benefits	\$ 250,614	\$ 28,482,579	\$ 28,424,653	\$ 308,540
Due to other governments	<u>1,848</u>	<u>15,774</u>	<u>13,403</u>	<u>4,219</u>
Total liabilities	<u>\$ 252,462</u>	<u>\$ 28,498,353</u>	<u>\$ 28,438,056</u>	<u>\$ 312,759</u>

LONG-TERM DEBT

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES
JUNE 30, 2006

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities				
General Obligation				
1999A Essential corporate purpose, issued June 1, 1999	2007	4.30%	\$ 91,516	\$ 290,000
	2008	4.35%	79,046	290,000
	2009	4.40%	66,430	290,000
	2010	4.45%	53,670	240,000
	2011	4.50%	42,990	240,000
	2012	4.55%	32,190	240,000
	2013	4.60%	21,270	240,000
	2014	4.65%	10,230	220,000
			397,342	2,050,000
2002A Essential corporate purpose, issued April 1, 2002	2007	4.25%	297,500	150,000
	2008	4.25%	291,126	200,000
	2009	4.25%	282,626	200,000
	2010	4.25%	274,126	750,000
	2011	4.35%	242,250	750,000
	2012	4.45%	209,626	750,000
	2013	4.55%	176,250	750,000
	2014	4.60%	142,126	750,000
	2015	4.70%	107,626	750,000
	2016	4.80%	72,376	750,000
	2017	4.85%	36,376	750,000
			2,132,008	6,550,000
2002B Essential corporate purpose refunding bonds, issued April 1, 2002	2007	3.70%	52,098	430,000
	2008	3.90%	36,188	445,000
	2009	4.05%	18,832	465,000
			107,118	1,340,000
2003A Essential corporate purpose refunding bonds, issued April 1, 2003	2007	2.20%	81,198	350,000
	2008	2.55%	73,498	360,000
	2009	2.95%	64,318	365,000
	2010	3.15%	53,550	380,000
	2011	3.40%	41,580	390,000
	2012	3.60%	28,320	370,000
	2013	3.75%	15,000	400,000
			357,464	2,615,000

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2006

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities (continued)				
General Obligation (continued)				
2004A Essential corporate purpose, issued June 1, 2004	2007	6.00%	\$ 78,215	\$ 5,000
	2008	6.00%	78,110	5,000
	2009	5.50%	77,983	5,000
	2010	5.75%	77,840	5,000
	2011	5.75%	77,683	5,000
	2012	5.75%	77,512	5,000
	2013	4.75%	77,330	150,000
	2014	4.10%	71,630	350,000
	2015	4.20%	57,805	360,000
	2016	4.30%	43,225	375,000
	2017	4.40%	27,662	395,000
	2018	4.50%	10,875	250,000
			755,870	1,910,000
Equipment loan note, issued February 1, 2005	2007	0.00%	-	13,840
	2008	0.00%	-	13,840
	2009	0.00%	-	13,841
	2010	0.00%	-	13,840
	2011	0.00%	-	13,841
	2012	0.00%	-	13,840
	2013	0.00%	-	13,841
	2014	0.00%	-	13,840
	2015	0.00%	-	13,841
			-	124,564
2005B Essential corporate purpose refunding bonds, issued April 1, 2005	2007	3.10%	49,650	300,000
	2008	3.10%	40,350	300,000
	2009	3.25%	31,050	300,000
	2010	3.35%	21,300	100,000
	2011	3.50%	17,950	200,000
	2012	3.65%	10,950	300,000
			171,250	1,500,000
2006A Capital loan notes, issued June 1, 2006	2007	4.15%	74,011	130,000
	2008	4.15%	57,265	150,000
	2009	4.15%	51,040	155,000
	2010	4.25%	44,484	160,000
	2011	4.30%	37,684	165,000
	2012	4.35%	30,460	175,000
	2013	4.35%	22,739	180,000
	2014	4.38%	14,766	190,000
	2015	4.38%	6,453	195,000
			338,901	1,500,000

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2006

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities (continued)				
General Obligation (continued)				
Total general obligation	2007		\$ 724,188	\$ 1,668,840
	2008		655,583	1,763,840
	2009		592,279	1,793,841
	2010		524,970	1,648,840
	2011		460,137	1,763,841
	2012		389,058	1,853,840
	2013		312,589	1,733,841
	2014		238,752	1,523,840
	2015		171,884	1,318,841
	2016		115,601	1,125,000
	2017		64,038	1,145,000
	2018		10,875	250,000
			<u>\$ 4,259,953</u>	<u>\$ 17,589,564</u>
Tax increment financing				
Urban renewal tax increment revenue bonds, issued June 1, 1999	2007	4.50%	\$ 187,743	\$ 250,000
	2008	4.50%	176,493	260,000
	2009	4.50%	164,793	270,000
	2010	4.50%	152,643	280,000
	2011	4.50%	140,043	290,000
	2012	4.55%	126,993	300,000
	2013	4.60%	113,343	310,000
	2014	4.60%	99,083	320,000
	2015	4.63%	84,363	330,000
	2016	4.70%	69,100	340,000
	2017	4.80%	53,120	350,000
	2018	4.85%	36,320	370,000
	2019	4.90%	18,375	375,000
			<u>1,422,412</u>	<u>4,045,000</u>
Urban renewal tax increment revenue bonds, issued June 30, 2003	2007	5.00%	11,031	122,350
	2008	5.00%	4,837	128,438
			<u>15,868</u>	<u>250,788</u>
Total tax increment financing	2007		198,774	372,350
	2008		181,330	388,438
	2009		164,793	270,000
	2010		152,643	280,000
	2011		140,043	290,000
	2012		126,993	300,000
	2013		113,343	310,000
	2014		99,083	320,000
	2015		84,363	330,000
	2016		69,100	340,000
	2017		53,120	350,000
	2018		36,320	370,000
	2019		18,375	375,000
			<u>\$ 1,438,280</u>	<u>\$ 4,295,788</u>

(continued)
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CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2006

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities (continued)				
Total governmental activities	2007		\$ 922,962	\$ 2,041,190
	2008		836,913	2,152,278
	2009		757,072	2,063,841
	2010		677,613	1,928,840
	2011		600,180	2,053,841
	2012		516,051	2,153,840
	2013		425,932	2,043,841
	2014		337,835	1,843,840
	2015		256,247	1,648,841
	2016		184,701	1,465,000
	2017		117,158	1,495,000
	2018		47,195	620,000
	2019		18,375	375,000
			<u>\$ 5,698,233</u>	<u>\$ 21,885,352</u>
Enterprise Funds				
Water Pollution Control Refunding, issued April 1, 2002	2007	3.75%	\$ 25,126	\$ 670,000
Water Pollution Control, capital loan notes, issued May 15, 2003	2007	3.00%	130,410	1,000
	2008	3.00%	130,380	306,000
	2009	3.00%	121,200	315,000
	2010	3.00%	111,750	325,000
	2011	3.00%	102,000	335,000
	2012	3.00%	91,950	345,000
	2013	3.00%	81,600	355,000
	2014	3.00%	70,950	366,000
	2015	3.00%	59,970	377,000
	2016	3.00%	48,660	388,000
	2017	3.00%	37,020	399,000
	2018	3.00%	25,050	411,000
	2019	3.00%	12,720	424,000
			<u>1,023,660</u>	<u>4,347,000</u>
Water Pollution Control Refunding, issued April 1, 2005	2007	3.25%	69,233	100,000
	2008	3.55%	65,983	260,000
	2009	3.55%	56,753	260,000
	2010	3.55%	47,523	260,000
	2011	3.55%	38,293	260,000
	2012	3.65%	29,063	260,000
	2013	3.75%	19,573	255,000
	2014	3.85%	10,010	260,000
			<u>336,431</u>	<u>1,915,000</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2006

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Enterprise Funds (continued)				
Total enterprise funds	2007		\$ 224,769	\$ 771,000
	2008		196,363	566,000
	2009		177,953	575,000
	2010		159,273	585,000
	2011		140,293	595,000
	2012		121,013	605,000
	2013		101,173	610,000
	2014		80,960	626,000
	2015		59,970	377,000
	2016		48,660	388,000
	2017		37,020	399,000
	2018		25,050	411,000
	2019		12,720	424,000
			<u>\$ 1,385,217</u>	<u>\$ 6,932,000</u>
Component Unit, Water Works				
Revenue bonds, issued December 1998	2007	3.95%	\$ 28,228	\$ 345,000
	2008	4.00%	14,600	365,000
			<u>\$ 42,828</u>	<u>\$ 710,000</u>

STATISTICAL SECTION (UNAUDITED)

CITY OF MARSHALLTOWN, IOWA

STATISTICAL SECTION

This part of the City statistical's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	92
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	101
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	105
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	111
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	113

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF MARSHALLTOWN, IOWA
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2006	2005	2004	2003
Governmental activities				
Invested in capital assets, net of related debt	\$ 10,902,193	\$ 9,538,473	\$ 7,585,973	\$ 14,182,084
Restricted	2,465,406	1,401,272	976,110	2,408,818
Unrestricted	8,572,318	8,412,821	8,036,183	7,318,392
Total governmental activities net assets	<u>\$ 21,939,917</u>	<u>\$ 19,352,566</u>	<u>\$ 16,598,266</u>	<u>\$ 23,909,294</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 28,081,324	\$ 28,091,451	\$ 27,579,870	\$ 18,870,233
Restricted	1,382,713	1,285,042	1,424,373	1,625,224
Unrestricted	3,531,327	3,462,591	2,862,230	2,811,086
Total business-type activities net assets	<u>\$ 32,995,364</u>	<u>\$ 32,839,084</u>	<u>\$ 31,866,473</u>	<u>\$ 23,306,543</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 38,983,517	\$ 37,629,924	\$ 35,165,843	\$ 33,052,317
Restricted	3,848,119	2,686,314	2,400,483	4,034,042
Unrestricted	12,103,645	11,875,412	10,898,413	10,129,478
Total primary government net assets	<u>\$ 54,935,281</u>	<u>\$ 52,191,650</u>	<u>\$ 48,464,739</u>	<u>\$ 47,215,837</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF MARSHALLTOWN, IOWA
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2006	2005	2004	2003
Expenses				
Governmental activities:				
Public safety	\$ 7,343,575	\$ 6,718,838	\$ 7,334,477	\$ 6,704,841
Public works	3,938,080	4,975,532	4,132,829	4,067,481
Health and social services	1,361,077	1,336,175	783,075	455,506
Culture and recreation	2,893,559	2,356,111	2,669,207	2,462,897
Community and economic development	1,694,889	1,743,784	2,495,685	1,744,724
General government	1,028,482	975,510	1,038,353	1,083,663
Interest on long term debt	921,460	1,037,688	984,214	1,137,323
Total governmental activities expenses	<u>19,181,122</u>	<u>19,143,638</u>	<u>19,437,840</u>	<u>17,656,435</u>
Business-type activities:				
Storm sewer	423,426	472,913	408,532	-
Water pollution control	4,096,849	4,153,055	3,677,871	3,563,400
Compost	44,066	47,634	35,357	40,971
Concessions	54,725	44,416	58,824	14,900
Transit	438,430	419,640	492,115	531,734
Total business-type activities	<u>5,057,496</u>	<u>5,137,658</u>	<u>4,672,699</u>	<u>4,151,005</u>
Total primary government expenses	<u>\$ 24,238,618</u>	<u>\$ 24,281,296</u>	<u>\$ 24,110,539</u>	<u>\$ 21,807,440</u>
Program Revenues				
Governmental activities				
Charges for services:				
Public safety	\$ 104,082	\$ 257,712	\$ 172,460	\$ 104,795
Public works	636,645	401,644	643,004	483,067
Culture and recreation	687,079	632,892	651,286	350,488
Community and economic development	230,674	307,867	272,422	301,441
Other activities	171,517	122,900	112,633	163,010
Operating grants and contributions	5,440,505	5,265,563	5,510,052	4,887,463
Capital grants and contributions	1,461,418	971,519	517,296	697,162
Total governmental activities program revenues	<u>8,731,920</u>	<u>7,960,097</u>	<u>7,879,153</u>	<u>6,987,426</u>
Business-type activities				
Charges for services:				
Storm sewer	327,807	306,892	274,397	-
Water pollution control	3,657,366	3,649,510	3,593,272	3,613,023
Compost	26,627	35,620	41,526	43,914
Concessions	67,014	59,149	71,121	25,764
Transit	118,473	123,760	136,637	102,802
Operating grants and contributions	453,792	273,126	198,530	185,399
Capital grants and contributions	227,315	1,276,587	472,261	473,479
Total business-type program revenues	<u>4,878,394</u>	<u>5,724,644</u>	<u>4,787,744</u>	<u>4,444,381</u>
Total primary government revenues	<u>\$ 13,610,314</u>	<u>\$ 13,684,741</u>	<u>\$ 12,666,897</u>	<u>\$ 11,431,807</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
CHANGES IN NET ASSETS (continued)
LAST FOUR FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2006	2005	2004	2003
Net (Expenses)/Revenue				
Governmental activities	\$ (10,449,202)	\$ (11,183,541)	\$ (11,558,687)	\$ (10,669,009)
Business-type activities	(179,102)	586,986	115,045	293,376
Total primary government net expense	<u>\$ (10,628,304)</u>	<u>\$ (10,596,555)</u>	<u>\$ (11,443,642)</u>	<u>\$ (10,375,633)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property	\$ 7,006,898	\$ 6,660,061	\$ 6,413,043	\$ 6,179,720
Other	4,928,051	5,891,242	5,067,338	5,335,391
Unrestricted:				
State generated revenues	383,643	401,992	415,760	925,838
Investment earnings	477,315	288,581	167,696	217,902
Miscellaneous revenues	385,881	726,918	540,411	624,720
Transfers	(145,235)	(120,380)	(8,356,589)	(101,045)
Total governmental activities	<u>13,036,553</u>	<u>13,848,414</u>	<u>4,247,659</u>	<u>13,182,526</u>
Business-type activities:				
Investment earnings	190,147	113,190	88,296	142,525
Transfers	145,235	120,380	8,356,589	101,045
Total business-type activities	<u>335,382</u>	<u>233,570</u>	<u>8,444,885</u>	<u>243,570</u>
Total primary government	<u>\$ 13,371,935</u>	<u>\$ 14,081,984</u>	<u>\$ 12,692,544</u>	<u>\$ 13,426,096</u>
Change in Net Assets				
Governmental activities	\$ 2,587,351	\$ 2,664,873	\$ (7,311,028)	\$ 2,513,517
Business-type activities	156,280	820,556	8,559,930	536,946
Total primary government	<u>\$ 2,743,631</u>	<u>\$ 3,485,429</u>	<u>\$ 1,248,902</u>	<u>\$ 3,050,463</u>

Note:

A storm sewer enterprise fund was established in fiscal year ending June 30, 2004. Prior to this time, expenditures were reflected in the governmental activities under public works. The capital assets of the storm sewer division were reflected as a transfer to enterprise fund from the governmental activities.

CITY OF MARSHALLTOWN, IOWA
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST FOUR FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

Function/Program	Program Revenues by Fiscal Year			
	2006	2005	2004	2003
Governmental activities				
Public safety	\$ 764,806	\$ 846,528	\$ 795,550	\$ 615,517
Public works	4,009,030	2,868,644	3,374,676	3,249,541
Health and social services	1,088,238	841,310	513,723	152,900
Culture and recreation	949,630	1,433,444	1,180,190	943,008
Community and economic development	1,823,109	1,868,320	1,914,974	1,866,125
General government	97,107	101,851	100,040	160,335
Total governmental activities	<u>\$ 8,731,920</u>	<u>\$ 7,960,097</u>	<u>\$ 7,879,153</u>	<u>\$ 6,987,426</u>
Business-type activities				
Storm sewer	\$ 523,472	\$ 1,225,894	\$ 378,956	\$ -
Water pollution control	3,689,112	4,066,813	3,640,858	3,734,990
Compost	26,627	35,620	41,526	43,914
Concessions	67,014	59,149	71,121	25,764
Transit	572,169	337,168	655,283	639,713
Total business-type activities	<u>\$ 4,878,394</u>	<u>\$ 5,724,644</u>	<u>\$ 4,787,744</u>	<u>\$ 4,444,381</u>
Total primary government revenues				

CITY OF MARSHALLTOWN, IOWA
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Expenses										
General Fund										
Reserved	\$ 254,337	\$ 270,400	\$ 317,580	\$ 325,475	\$ 284,565	\$ 256,815	\$ 215,382	\$ 219,104	\$ 245,331	\$ 246,883
Unreserved	2,781,078	2,577,724	2,307,482	2,230,910	2,115,730	1,829,731	2,651,797	3,049,424	1,359,003	507,042
Total general fund	<u>\$ 3,035,415</u>	<u>\$ 2,848,124</u>	<u>\$ 2,625,062</u>	<u>\$ 2,556,385</u>	<u>\$ 2,400,295</u>	<u>\$ 2,086,546</u>	<u>\$ 2,867,179</u>	<u>\$ 3,268,528</u>	<u>\$ 1,604,334</u>	<u>\$ 753,925</u>
All Other Governmental Funds										
Reserved	\$ 2,517,279	1,477,447	\$ 1,055,046	\$ 2,492,954	\$ 679,169	\$ 711,030	\$ 743,169	\$ 531,322	\$ 527,579	\$ 2,492,092
Unreserved reported in:										
Special revenue funds	2,923,224	3,371,161	4,580,157	4,327,815	4,379,485	4,390,771	4,192,641	3,402,017	3,819,674	1,868,876
Capital projects funds	1,838,524	1,961,127	1,255,549	1,287,332	6,733,517	1,659,095	2,469,731	4,585,192	6,251,801	6,858,820
Total all other governmental funds	<u>\$ 7,279,027</u>	<u>\$ 6,809,735</u>	<u>\$ 6,890,752</u>	<u>\$ 8,108,101</u>	<u>\$ 11,792,171</u>	<u>\$ 6,760,896</u>	<u>\$ 7,405,541</u>	<u>\$ 8,518,531</u>	<u>\$ 10,599,054</u>	<u>\$ 11,219,788</u>
Total governmental fund balances	<u>\$ 10,314,442</u>	<u>\$ 9,657,859</u>	<u>\$ 9,515,814</u>	<u>\$ 10,664,486</u>	<u>\$ 14,192,466</u>	<u>\$ 8,847,442</u>	<u>\$ 10,272,720</u>	<u>\$ 11,787,059</u>	<u>\$ 12,203,388</u>	<u>\$ 11,973,713</u>

CITY OF MARSHALLTOWN, IOWA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year ended June 30,			
	2006	2005	2004	2003
Revenues				
Taxes	\$ 12,373,299	\$ 12,974,773	\$ 11,876,045	\$ 11,943,200
Use of money and property	508,604	342,424	228,610	271,522
Licenses and permits	289,329	341,082	321,265	352,363
Intergovernmental	6,744,295	6,089,537	6,076,477	6,108,639
Charges for services	863,341	892,894	1,050,035	768,745
Special assessments	210,278	317	317	34,074
Miscellaneous	519,519	656,367	736,949	580,653
Total revenues	<u>21,508,665</u>	<u>21,297,394</u>	<u>20,289,698</u>	<u>20,059,196</u>
Expenditures				
Public safety	6,898,394	6,568,961	7,121,973	6,341,434
Public works	2,438,572	3,706,520	1,732,511	1,174,940
Health and social services	1,340,728	1,340,928	784,624	449,028
Culture and recreation	2,526,524	2,012,136	2,293,991	2,196,006
Community and economic development	1,682,136	1,727,405	2,487,721	1,664,266
General government	1,227,899	1,158,880	2,429,108	2,639,542
Capital outlay	3,436,407	1,581,034	4,928,180	7,053,729
Debt service				
Principal	1,795,178	2,101,062	1,983,850	1,515,000
Interest and other fiscal charges	928,425	1,065,517	1,009,082	1,241,506
Total expenditures	<u>22,274,263</u>	<u>21,262,443</u>	<u>24,771,040</u>	<u>24,275,451</u>
Excess of revenues over (under) expenditures	<u>(765,598)</u>	<u>34,951</u>	<u>(4,481,342)</u>	<u>(4,216,255)</u>
Other Financing Sources (Uses)				
Sale of governmental assets	67,416	489,574	105,050	-
Debt issued	1,500,000	1,932,441	3,300,000	3,957,038
Payment of refunded bonds	-	(2,100,000)	-	(3,350,000)
Premium (discount) and accrued interest on debt issued	-	-	19,073	2,139
Transfers in	6,266,978	6,535,905	6,579,422	5,551,670
Transfers out	(6,412,213)	(6,656,285)	(6,670,875)	(5,652,715)
Total other financing sources (uses)	<u>1,422,181</u>	<u>201,635</u>	<u>3,332,670</u>	<u>508,132</u>
Net change in fund balances	<u>\$ 656,583</u>	<u>\$ 236,586</u>	<u>\$ (1,148,672)</u>	<u>\$ (3,708,123)</u>
Debt service as a percentage of noncapital expenditures	14.5%	16.1%	15.1%	16.0%

CITY OF MARSHALLTOWN, IOWA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, EXCLUDING CAPITAL PROJECT FUNDS
PRIOR SIX FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2002	2001	2000	1999	1998	1997
Revenues						
Taxes	\$ 10,399,173	\$ 9,680,281	\$ 10,072,573	\$ 9,121,503	\$ 8,588,610	\$ 9,118,146
Use of money and property	318,771	561,913	496,762	377,407	395,515	364,001
Licenses and permits	368,173	273,959	272,179	230,645	222,355	196,185
Intergovernmental	5,279,495	4,911,482	4,829,315	4,800,775	4,507,776	3,608,804
Charges for services	621,387	535,874	509,159	475,590	500,972	302,446
Special assessments	23,007	4,939	124,423	4,550	35,060	2,658
Miscellaneous	321,675	427,891	319,039	380,801	476,338	354,984
Total revenues	17,331,681	16,396,339	16,623,450	15,391,271	14,726,626	13,947,224
Expenditures						
Community protection	6,669,862	6,233,200	5,845,373	5,697,063	5,527,949	5,418,730
Human development	236,778	1,734,570	1,755,480	1,570,223	1,642,914	1,592,090
Home and community environment	5,208,025	3,817,988	3,169,304	3,565,351	3,256,265	3,298,704
Policy and administration	1,024,559	993,940	920,702	842,972	876,857	884,615
Capital outlay	-	1,126,152	1,271,064	833,720	452,340	-
Debt service						
Principal	11,255,000	1,730,569	1,591,462	6,140,200	2,056,618	2,142,172
Interest and other fiscal charges	1,011,517	979,624	1,053,454	1,006,087	979,933	728,186
Total expenditures	25,405,741	16,616,043	15,606,839	19,655,616	14,792,876	14,064,497
Excess of revenues over (under) expenditures	(8,074,060)	(219,704)	1,016,611	(4,264,345)	(66,250)	(117,273)
Other Financing Sources (Uses)						
Sale of governmental assets						
Debt issued						
Transfers in	15,607,198	13,498,269	13,241,877	12,686,854	11,844,875	12,416,850
Transfers out	5,170,867	4,952,762	4,027,023	2,917,695	2,208,022	2,489,992
Total other financing sources (uses)	20,778,065	18,451,031	17,268,900	15,604,549	14,052,897	14,906,842
Net change in fund balances	\$ 12,704,005	\$ 18,231,327	\$ 18,285,511	\$ 11,340,204	\$ 13,986,647	\$ 14,789,569
Debt service as a percentage of noncapital expenditures	48.3%	17.5%	18.4%	38.0%	21.2%	20.4%

Note: Effective with fiscal 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenues. Therefore, the collections have decreased compared to prior years. Effective with fiscal 2001, utilities are paying an excise tax rather than property taxes. The excise tax is included with other City taxes.

CITY OF MARSHALLTOWN, IOWA
TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	Tax Increment Financing	Utility Excise Tax	Utility Franchise fee	Hotel/Motel Tax	Local Option Sales Tax	911 Surcharge	Mobile Home Tax	Total
2002-03	\$ 6,194,625	\$ 1,510,366	\$ 1,090,939	\$ 190,260	\$ 189,548	\$ 2,525,515	\$ 223,384	\$ 18,563	\$ 11,943,200
2003-04	6,415,158	1,597,111	890,749	189,286	168,290	2,392,555	204,609	18,287	11,876,045
2004-05	6,659,496	2,312,752	862,169	189,343	171,263	2,528,335	234,253	17,162	12,974,773
2005-06	7,005,288	1,482,011	829,047	195,360	212,989	2,387,873	244,697	16,034	12,373,299

CITY OF MARSHALLTOWN, IOWA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
YEAR ENDED JUNE 30, 2006
(MODIFIED ACCRUAL BASES OF ACCOUNTING)

<u>Fund</u>	<u>Property Tax</u>	<u>Tax Increment Financing</u>	<u>Utility Excise Tax</u>	<u>Utility Franchise Fee</u>	<u>Hotel/Motel Tax</u>	<u>Local Option Sales Tax</u>	<u>E-911 Surcharge</u>	<u>Mobile Home Tax</u>	<u>Total</u>
General	\$4,633,501	\$ -	\$ 557,110	\$ 195,360	\$ 212,989	\$ -	\$ -	\$ 10,774	\$ 5,609,734
Tax Increment Financing	-	1,482,011	-	-	-	-	-	-	1,482,011
E-911 Surcharge	-	-	-	-	-	-	244,697	-	244,697
Local Option Sales Tax	-	-	-	-	-	2,387,873	-	-	2,387,873
Property Tax	584,491	-	70,380	-	-	-	-	1,363	656,234
Debt Service	1,439,924	-	159,729	-	-	-	-	3,086	1,602,739
Capital Projects	<u>347,372</u>	<u>-</u>	<u>41,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>811</u>	<u>390,011</u>
Total	<u>\$7,005,288</u>	<u>\$ 1,482,011</u>	<u>\$ 829,047</u>	<u>\$ 195,360</u>	<u>\$ 212,989</u>	<u>\$ 2,387,873</u>	<u>\$ 244,697</u>	<u>\$ 16,034</u>	<u>\$12,373,299</u>

CITY OF MARSHALLTOWN, IOWA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE VALUE
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Total Regular			Total Taxable Assessed Value	Total Direct Tax Rate	Estimated actual gross value	Taxable assessed value as a percentage of Actual Gross Value
				Realty	TIF	Agland Realty				
1996-97				\$ 534,673,843	\$ 9,331,911	\$ 2,336,950	\$ 546,342,704	16.32439	\$ 731,590,291	74.679%
1997-98				538,791,127	13,375,774	2,476,031	554,642,932	16.11316	740,948,065	74.856%
1998-99				540,034,614	26,124,924	2,977,942	569,137,480	16.11196	796,344,614	71.469%
1999-00				557,295,805	35,447,957	2,999,894	595,743,656	15.11361	812,532,582	73.319%
2000-01				475,219,315	46,453,635	3,207,378	524,880,328	12.60867	767,305,731	68.406%
2001-02				482,730,476	44,573,485	3,310,601	530,614,562	12.96936	764,667,955	69.391%
2002-03				494,310,987	61,244,207	3,230,403	558,785,597	12.96979	858,407,782	65.096%
2003-04	\$ 305,968,728	\$ 157,828,361	\$ 48,407,007	512,204,096	55,196,316	3,218,650	570,619,062	13.08945	863,092,512	66.113%
2004-05	306,917,157	160,487,151	43,436,190	510,840,498	71,047,100	2,502,624	584,390,222	13.37877	941,222,235	62.088%
2005-06	315,486,712	172,425,422	53,351,875	541,264,009	44,482,642	2,464,569	588,211,220	13.37878	1,040,972,285	56.506%

Rollback Factors by Class

Fiscal Year	Gas & Electric	Tax Exempt Property	Residential	Agricultural	Commercial
1996-97		\$ 72,681,182	54.90900	100.00000	97.28240
1997-98		79,173,765	56.47890	100.00000	100.00000
1998-99		77,542,410	54.85250	96.42060	97.36060
1999-00		79,623,089	56.26510	100.00000	100.00000
2000-01	\$ 82,272,233	79,424,978	51.66760	96.33800	98.77320
2001-02	82,653,397	82,264,656	51.38740	100.00000	100.00000
2002-03	84,141,000	88,347,820	48.45580	100.00000	97.77010
2003-04	86,485,422	89,988,114	47.96420	100.00000	100.00000
2004-05	90,789,115	92,101,046	45.99600	100.00000	99.25740
2005-06	67,936,113	116,039,112	47.96420	100.00000	100.00000

Source: Marshall County Auditor's Office

Notes: Effective with the January 1, 1999 valuations, Alliant Energy, the local gas and electric provider, is assessed a utility excise tax instead of taxes based upon property valuations.

Each year the State of Iowa assigns a rollback factor to calculate the percent of assessed value which will be taxable.

This rate is assigned per property classification and can fluctuate each year. Industrial property is taxed at 100% of its gross assessed value.

CITY OF MARSHALLTOWN, IOWA
TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED) (PER \$1,000 ASSESSED VALUATIONS)

Levy year Jan 1,	Collection year	Marshall County	Community Schools	Marshalltown	City Assessor	Community College	County ExtensionExt ension	State of Iowa	Total
1995	1996-97	6.88420	15.12332	16.32439	0.31731	1.01074	0.09050	0.00500	39.75546
1996	1997-98	6.80708	15.43195	16.11316	0.33748	0.99017	0.09005	0.00500	39.77489
1997	1998-99	6.80708	15.80058	16.11196	0.33387	1.05028	0.08701	0.00500	40.19578
1998	1999-00	6.06076	15.16492	15.11361	0.36848	1.01627	0.08416	0.00500	37.81320
1999	2000-01	5.98332	16.42885	12.60867	0.37346	0.82674	0.08256	0.00500	36.30860
2000	2001-02	6.15739	16.25058	12.96936	0.36356	0.83104	0.08044	0.00500	36.65737
2001	2002-03	6.01644	16.21217	12.96979	0.35227	0.85117	0.07832	0.00400	36.48416
2002	2003-04	6.08852	16.19581	13.08945	0.34538	0.92000	0.07677	0.00400	36.71993
2003	2004-05	6.56545	17.30327	13.37877	0.35723	0.98700	0.08143	0.00400	38.67715
2004	2005-06	6.73583	18.28730	13.37878	0.34571	0.93175	0.07992	0.00400	39.76329

Source: Marshall County Auditor's Office

CITY OF MARSHALLTOWN, IOWA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>Jan 1, 2004 Taxable Assessed Value Payable 05-06</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Jan 1, 1995 Taxable Assessed Value Payable 96-97</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Lennox Industries Inc	\$ 14,684,500	1	2.2%	\$ 17,613,377	3	2.4%
Marshall Town Center Partners	11,976,680	2	1.8%			
Walmart, Real Estate Business	11,333,356	3	1.7%	3,667,356	9	0.5%
MMSC, Ventures Inc	10,912,430	4	1.7%			
Emerson Process Mgt/Fisher Controls	10,874,010	5	1.7%	27,159,312	2	3.7%
Swift & Company (SIPCO in 96-97)	9,118,774	6	1.4%	11,451,729	4	1.6%
FHS, Marshalltown LP	6,602,000	7	1.0%			
Inns of Iowa Ltd	6,064,149	8	0.9%			
Gottula Properties LC	5,581,128	9	0.9%			
HyVee Food Stores	5,068,470	10	0.8%			
IES Utilities				80,155,957	1	11.0%
Tri-State, Joint Venture				7,904,210	5	1.1%
Packaging Corporation of America				5,224,400	6	0.7%
Embers of Marshalltown				4,425,000	7	0.6%
U.S. West Communications				3,693,877	8	0.5%
Gethmann, Investment Co				3,238,872	10	0.4%
	<u>\$ 92,215,497</u>		<u>14.1%</u>	<u>\$ 164,534,090</u>		<u>22.5%</u>

Note: Alliant Energy (IES Utilities), the local gas and electric provider, is now assessed a utility excise tax instead of taxes based upon their property valuation. The gas and electric assessed property value for January 1, 2004, was \$98,401,496.

CITY OF MARSHALLTOWN, IOWA
SALES TAX
LAST TEN FISCAL YEARS

<u>Calendar Year</u>	<u>Taxable Retail Sales</u>	<u>No. of Businesses</u>
1996	\$ 299,549,363	N/A
1997	310,141,156	3,547
1998	321,765,151	3,490
1999	323,776,666	3,363
2000	309,653,376	3,282
2001	333,741,450	3,189
2002	326,679,780	3,017
2003	315,705,482	2,923
2004	317,256,826	2,902
2005	320,099,470	2,896

Iowa Department of Revenue Sales and Use Tax Report based on fiscal year ending March 31 following succeeding the calendar year.

Beginning with 2004, the information is taken from the quarterly reports on a calendar year basis.

CITY OF MARSHALLTOWN, IOWA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL DEBT TO TOTAL
GENERAL EXPENDITURES – GENERAL, SPECIAL REVENUE, AND DEBT SERVICE
FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)

Collection year	Levy year	Current levy	Collections & State Credits in the Current Year	Percent of levy collected*	State Credits Shown in Intergovernmental
1996-97	1995	8,780,758	8,779,035	99.98%	
1997-98	1996	8,766,518	8,913,743	101.68%	699,050
1998-99	1997	8,830,340	9,052,925	102.52%	753,506
1999-00	1998	8,668,373	8,750,099	100.94%	691,703
2000-01	1999	6,151,536	6,309,799	102.57%	599,799
2001-02	2000	6,395,110	6,384,130	99.83%	428,580
2002-03	2001	6,588,225	6,596,381	100.12%	401,756
2003-04	2002	6,767,269	6,802,125	100.52%	386,967
2004-05	2003	7,013,159	7,059,320	100.66%	399,824
2005-06	2004	7,363,490	7,382,393	100.26%	377,105

Note:

Effective with fiscal year 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenue. The current levy column is based upon both levy state shared property tax credits. Collections in current year column include both property tax collect and state shared property tax credits classified as intergovernmental revenue.

Information is not available for prior year collections based upon each levy year. Therefore all collectio are included in one column.

Effective with fiscal 2001, utilities pay an excise tax rather than property taxes.

Source: General Purpose Financial Statements

*Collections include delinquent taxes which result in collection rates greater than 100 percent.

State credits	Cash basis	Less prior year accrual	Add current year accrual	Adjusted balance
1997-98	685,403	-	13,647	699,050
1998-99	765,345	(13,647)	1,808	753,506
1999-00	672,718	(1,808)	20,793	691,703
2000-01	608,869	(20,793)	11,723	599,799
2001-02	427,299	(11,723)	13,004	428,580
2002-03	407,362	(13,004)	7,398	401,756
2003-04	386,672	(7,398)	7,693	386,967
2004-05	388,392	(7,693)	19,125	399,824
2005-06	375,228	(19,125)	21,002	377,105

CITY OF MARSHALLTOWN, IOWA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities		Total Primary Government	Personal Income*	Percentage of Personal Income	Population*	Per Capita
	General Obligation Bonds	Notes Payable	Urban renewal tax increment revenue bonds and notes	Revenue bonds	Sewer revenue capital loan note payable					
1997	\$ 12,390,000	\$655,000	\$ 4,395,000	\$ 5,900,115	\$ -	\$23,340,115	\$ 15,898	1,468	25,729	907
1998	14,775,000	540,000	4,365,000	8,495,000	-	28,175,000	16,265	1,732	25,827	1,091
1999	16,875,000	470,000	4,475,000	8,075,000	-	29,895,000	16,632	1,797	25,925	1,153
2000	15,675,000	150,000	4,435,000	7,450,000	-	27,710,000	17,003	1,630	26,009	1,065
2001	14,185,000	50,000	4,330,000	6,790,000	-	25,355,000	17,823	1,423	26,019	974
2002	19,745,000	-	4,290,000	6,210,000	-	30,245,000	18,643	1,622	26,030	1,162
2003	18,435,000	-	4,692,038	5,435,000	621,705	29,183,743	19,463	1,499	26,040	1,121
2004	18,995,000	-	5,448,188	4,020,000	4,122,638	32,585,826	20,283	1,607	26,051	1,251
2005	17,405,000	138,404	4,637,129	3,330,000	4,348,000	29,858,533	21,103	1,415	26,060	1,146
2006	17,465,000	124,564	4,295,788	2,585,000	4,347,000	28,817,352	21,926	1,314	26,068	1,105

*PER CHAMBER OF COMMERCE-REVISED 2006

CITY OF MARSHALLTOWN, IOWA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
1997	\$ 12,390,000	\$ 655,000	\$ 13,045,000	1.79	820.54
1998	14,775,000	540,000	15,315,000	2.07	941.59
1999	16,875,000	470,000	17,345,000	2.19	1,042.87
2000	15,675,000	150,000	15,825,000	1.95	930.72
2001	14,185,000	50,000	14,235,000	1.86	798.69
2002	19,745,000	-	19,745,000	2.59	1,059.11
2003	18,435,000	-	18,435,000	2.16	947.18
2004	18,995,000	-	18,995,000	2.21	936.50
2005	17,405,000	138,404	17,543,404	1.79	831.32
2006	17,465,000	124,564	17,589,564	3.00	802.22

CITY OF MARSHALLTOWN, IOWA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2006

Name of Governmental Unit	Debt Outstanding	Percentage Applicable to Marshalltown	City of Marshalltown Share of Debt
Iowa Valley Schools	\$ 6,655,000	53.46%	\$ 3,557,763
Marshalltown Community School District	25,600,000	82.68%	21,166,080
Marshall County	<u>6,555,000</u>	52.77%	<u>3,459,074</u>
	38,810,000		28,182,917
City of Marshalltown	<u>21,885,352</u>	100.00%	<u>21,885,352</u>
	<u>\$ 60,695,352</u>		<u>\$ 50,068,269</u>

Source:

- (1) Individual governmental units. (Includes bonded and TIF debt.)
- (2) Marshall County Auditor's Office.

CITY OF MARSHALLTOWN, IOWA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year Ending June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Gross assessed valuations:										
Regular realty	\$ 898,088,147	\$ 867,672,511	\$ 804,677,548	\$ 793,933,172	\$ 716,783,869	\$ 717,519,561	774,036,481	767,129,346	724,711,878	719,921,430
Utility	98,401,496	90,789,115	86,485,422	84,141,000	82,653,397	82,272,233	-	-	-	-
Incremental	44,482,642	71,047,100	55,196,316	61,244,207	44,573,485	46,453,635	35,447,957	26,124,924	13,375,774	9,331,911
Total actual valuations applicable to debt	1,040,972,285	1,029,508,726	946,359,286	939,318,379	844,010,751	846,245,429	809,484,438	793,254,270	738,087,652	729,253,341
Debt limit - 5% of total actual valuations applicable to debt	52,048,614	51,475,436	47,317,964	46,965,919	42,200,538	42,312,271	40,474,222	39,662,714	36,904,383	36,462,667
Amount of debt applicable to limitation:										
General obligation bonds and notes	17,589,564	17,543,404	18,995,000	18,435,000	19,745,000	14,235,000	15,825,000	17,345,000	19,215,000	16,945,000
Urban renewal tax increment revenue bonds	4,295,788	4,637,126	5,448,188	4,692,038	4,290,000	4,330,000	4,435,000	4,475,000	465,000	495,000
Total debt applicable to limitation	21,885,352	22,180,530	24,443,188	23,127,038	24,035,000	18,565,000	20,260,000	21,820,000	19,680,000	17,440,000
Less:										
Funds available from:										
Debt service	238,506	217,083	542,533	568,175	596,133	670,450	554,693	351,088	347,339	196,004
Special revenue	998,446	615,975	187,331	713,951	270,840	213,563	181,014	155,253	-	-
Total debt applicable to debt margin	20,648,400	21,347,472	23,713,324	21,844,912	23,168,027	17,680,987	19,524,293	21,313,659	19,332,661	17,243,996
Legal debt margin	\$ 31,400,214	\$ 30,127,964	\$ 23,604,640	\$ 25,121,007	\$ 19,032,511	\$ 24,631,284	\$ 20,949,929	\$ 18,349,055	\$ 17,571,722	\$ 19,218,671

CITY OF MARSHALLTOWN, IOWA
PLEGGED – REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

Water Pollution Control				Debt Service Requirements			
Year	Gross Revenue	Expenses (1)	Available For Debt Service	Principal	Interest & other debt expense	Total	Coverage
1996-97	\$ 3,485,372	\$ 1,600,211	\$ 1,885,161	\$ 50,000	\$ 362,381	\$ 412,381	4.57
1997-98	3,372,463	1,779,400	1,593,063	80,000	314,406	394,406	4.04
1998-99	3,475,081	1,844,893	1,630,188	420,000	451,637	871,637	1.87
1999-00	3,452,591	1,872,024	1,580,567	625,000	330,152	955,152	1.65
2000-01	3,693,270	1,994,830	1,698,440	660,000	376,281	1,036,281	1.64
2001-02	3,768,757	2,123,166	1,645,591	690,000	356,418	1,046,418	1.57
2002-03	3,755,193	2,279,904	1,475,289	775,000	314,179	1,089,179	1.35
2003-04	3,693,877	2,323,665	1,370,212	1,415,000	333,572	1,748,572	0.78
2004-05	3,802,434	2,581,717	1,220,717	2,823,483	331,773	3,155,256	0.39
2005-06	3,831,282	2,612,861	1,218,421	746,000	274,290	1,020,290	1.19

(1) Total operating expenses, less depreciation.

Sources: City Financial Records and Water Works Financial Records

**CITY OF MARSHALLTOWN, IOWA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)**

Calendar Year	Median Age (Zip 50158) (1)	School Enrollment		Unemployment Percent (4)
		Public (2)	Private (3)	
1995	37.2	4,958	285	3.60
1996	37.8	4,995	285	3.80
1997	38.4	4,904	271	3.20
1998	N/A	4,823	257	2.90
1999	39.7	4,941	247	2.40
2000	39.7	4,916	248	2.70
2001	39.0	4,964	248	3.10
2002	39.0	4,939	235	5.70
2003	39.0	4,913	234	5.70
2004	39.2	4,895	194	4.00
2005	39.4	4,913	182	5.70

Sources:

- (1) The Community Sourcebook of ZIP code
- (2) Marshalltown Community School District
- (3) Marshalltown Catholic School
- (4) Job Service of Iowa

NA: Information was not available at time of printing

CITY OF MARSHALLTOWN, IOWA
PRINCIPAL EMPLOYERS
JUNE 2006 (UNAUDITED)

Employer	Industry	2006-Employees	1997 Employees
Swift & Company	Pork processors	2,100	1,936
Lennox Industries, Inc	Furnace and air conditioning manufacturer	1,200	1,100
Emerson Process Mgt/Fisher Controls	Valves and regulators manufactuer	1,056	1,400
Iowa Veteran's Home	Hospital care facility	961	797
Marshalltown Community School District	Education	850	840
Marshalltown Medical and Surgical Center	Hospital	700	700
HyVee Food Stores *	Grocery store	300	350
McFarland Clinic PC	Medical clinic	223	-
City of Marshalltown	Municipal government	198	168
Marshall County	County government	175	285
Ace Precision	Aluminum and zinc die casting	140	216

Source: Marshalltown Chamber of Commerce

* Includes full time, part time and seasonal employees

CITY OF MARSHALLTOWN, IOWA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Full-time-Equivalent Employees as of June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Public Safety	98.13	103.63	96.46	100.42	100.90	101.66	101.47	100.38	99.55	99.27
Public Works	18.69	18.87	20.13	22.80	22.95	22.78	21.55	21.94	22.30	22.99
Health and Social Services	7.33	8.11	7.68	5.78	5.10	4.36	3.71	2.89	2.71	2.77
Culture and Recreation	25.08	28.85	34.13	36.55	33.87	25.09	25.46	26.01	25.50	27.21
Community and Economic Development	2.92	2.94	3.75	3.88	3.69	4.99	4.91	5.51	4.70	4.30
General Government	17.85	18.55	18.47	19.71	19.00	19.45	19.10	20.00	21.21	20.93
Business Type	29.75	30.70	30.87	29.19	27.97	27.71	27.41	26.85	26.39	26.35
Capital Projects	0.19	0.15	0.65	0.08	-	-	-	-	-	-
Total	199.94	211.80	212.14	218.41	213.48	206.04	203.61	203.58	202.36	203.82

CITY OF MARSHALLTOWN, IOWA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2006	2005	2004	2003	2002
General Government					
Building Permits:					
New Construction:					
Number of permits	40	50	55	87	59
Value of permits	9,260,000	11,054,000	13,441,000	19,684,000	28,425,000
Remodeling, repairs and additions:					
Number of permits	131	126	120	139	191
Value of permits	11,758,000	20,799,600	7,489,900	15,805,900	13,421,600
Police					
Physical arrests	N/A	2,681	2,705	2,466	3,011
Violations:					
Parking	N/A	8,570	8,433	11,901	8,680
Traffic	N/A	6,245	6,660	4,486	4,647
Drunk driving	N/A	228	148	151	148
Narcotics	N/A	291	290	260	253
Fire					
Emergency responses	N/A	1,879	1,862	1,887	1,966
Fires extinguished	N/A	44	59	75	62
Inspections	N/A	555	386	226	324
Parks and recreation					
Adult team sports					
Leagues	16	15	14	14	13
Participation	2711	2434	2854	2854	2607
Youth activities					
Programs	N/A	32	25	25	21
Participation	N/A	8189	5413	5344	3807
Library					
Volumes in collection	88,362	82,269	83,931	79,264	77,201
Total volumes borrowed	215,953	200,652	190,749	192,004	174,292
Sewage system					
Per million					
Daily average treatment in gallons	4.92	4.57	5.60	4.66	N/A
Maximum daily capacity of treatment plant in thousands of gallons	13,040	13,040	13,040	13,040	13,040
Sewer customers served	9,426	9,723	10,774	10,774	9,264
			*	*	
			* computer software was counting sewer credit		
Sewer rates in effect					
Base charge per month	\$9.51	\$9.51	\$9.51	\$9.51	\$9.51
Flow charge per 100 cubic feet	\$1.47	\$1.31	\$1.31	\$1.31	\$1.31
Transit					
Total route miles	96,458	113,037	122,256	141,955	134,446
# of passengers	112,885	115,158	127,139	131,807	134,784
Elections - November of each year					
Registered voters	29,765	28,549	27,333	N/A	26,078
# of voters	19,447	19,340	19,233	2,493	14,186
Percentage of registered voters voting	65.34%	67.74%	70.37%	N/A	54.40%

Ending June 30,

2001	2000	1999	1998	1997
51	48	34	51	34
11,574,000	5,804,800	12,607,000	10,333,000	15,941,000
179	206	182	196	203
7,467,600	16,727,900	5,085,600	5,971,800	3,841,300
2,710	2,582	N/A	N/A	N/A
10,401	9,718	10,269	10,636	N/A
7,486	9,177	8,199	9,076	9,501
158	111	169	175	191
239	162	133	187	223
2,072	1,952	1,885	2,007	1,900
56	68	71	53	79
269	345	376	289	359
13	13	12	12	12
2591	2589	2620	2776	1975
23	25	22	23	N/A
4514	6731	5386	2804	N/A
74,312	69,265	68,778	65,621	64,288
168,084	177,846	176,218	174,614	158,933
N/A	N/A	N/A	N/A	N/A
13,040	13,040	13,040	13,040	13,040
9,261	9,168	9,507	9,507	9,400
meters				
\$8.36	\$8.36	\$8.36	\$8.36	\$8.36
\$1.12	\$1.12	\$1.12	\$1.12	\$1.12
131,743	126,065	122,169	124,775	116,158
136,920	114,595	93,522	102,336	103,854
N/A	25,427	N/A	25,473	N/A
3,254	17,760	2,636	14,131	N/A
N/A	69.85%	N/A	55.47%	N/A

CITY OF MARSHALLTOWN, IOWA
CAPITAL ASSET AND EMPLOYMENT STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEAR

Function/Program	Fiscal Year				
	2006	2005	2004	2003	2002
Police					
# of stations	1	1	1	1	1
# of employees	59	58	59	59	57
Fire					
# of stations	1	1	1	1	1
# of employees	30	29	31	31	33
Parks and recreation					
Park areas					
# parks	24	24	24	24	24
# acres	207	207	207	207	207
Athletics					
# Baseball/softball fields	5	5	5	5	5
# Soccer/football fields	6	6	6	6	6
# Tennis courts	6	6	6	6	6
Other					
# playgrounds	22	18	18	18	18
Miles of bike trails	8	8	8	8	8
# Swimming pools	1	1	1	1	1
Public works					
Streets:					
Paved	157.4	157.2	156.8	156.5	155.6
Unpaved	5.8	5.8	5.8	5.8	5.8
Sewage system					
Number of treatment plants	1	1	1	1	1
Miles of sewers					
Storm	56.1	54.6	54.6	54.5	60.9
Sanitary	144.6	144.4	143.2	142.9	142.3
Transit					
# of buses	10	10	10	10	10
Education - Public and private					
Number of elementary schools	7	7	7	6	n/a
Number of elementary school instructors	179	189	156	140	n/a
Number of secondary schools	3	3	3	3	n/a
Number of secondary school instructors	172	175	205	210	n/a
Cemeteries					
Number of facilities	2	2	2	2	2
Number of acres					
Developed	135	135	135	135	135
Undeveloped	80	80	80	80	80
Hospitals					
Number of hospitals	1	1	1	1	1
Number of beds	124	125	125	125	125

Ending June 30

2001	2000	1999	1998	1997
1	1	1	1	1
60	61	60	60	60
1	1	1	1	1
32	32	31	33	32
24	24	24	24	24
207	207	207	207	207
5	5	5	5	5
6	6	6	6	6
6	6	6	6	6
18	18	18	18	18
8	8	8	8	8
2	2	2	2	2
155	152.9	152.6	151.7	151.5
5.8	5.8	5.4	4.9	4.9
1	1	1	1	1
37	36.6	36.3	35.3	35.2
142	126.5	126.2	125.9	125.4
10	10	9	7	6
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
2	2	2	2	2
135	135	135	135	135
80	80	80	80	80
1	1	1	1	1
125	125	125	125	125

CITY OF MARSHALLTOWN, IOWA
WATER POLLUTION CONTROL
HISTORIC EARNINGS
LAST FIVE FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:					
Sewer Rental	\$ 3,535,609	\$ 3,488,658	\$ 3,445,984	\$ 3,499,800	\$ 3,408,218
Interest Income	173,820	108,425	86,945	142,074	239,950
Grants	96	44,499	13,660	96	96
Miscellaneous	<u>121,757</u>	<u>160,852</u>	<u>147,288</u>	<u>113,223</u>	<u>120,493</u>
Total revenues	<u>3,831,282</u>	<u>3,802,434</u>	<u>3,693,877</u>	<u>3,755,193</u>	<u>3,768,757</u>
Expenses:					
Costs of Service	2,612,861	2,673,383	2,341,278	2,279,904	2,123,166
Depreciation	1,198,715	1,147,899	979,579	959,963	1,021,980
Debt Service	<u>1,031,273</u>	<u>1,042,773</u>	<u>1,772,014</u>	<u>1,098,533</u>	<u>1,046,418</u>
Total expenses	<u>4,842,849</u>	<u>4,864,055</u>	<u>5,092,871</u>	<u>4,338,400</u>	<u>4,191,564</u>
Net Income (loss)	<u>\$ (1,011,567)</u>	<u>\$ (1,061,621)</u>	<u>\$ (1,398,994)</u>	<u>\$ (583,207)</u>	<u>\$ (422,807)</u>

Historic Coverage
Last Five Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net income (loss)	\$ (1,011,567)	\$ (1,061,621)	\$ (1,398,994)	\$ (583,207)	\$ (422,807)
Add depreciation	1,198,715	1,147,899	979,579	959,963	1,021,980
Add debt retirement	<u>1,031,273</u>	<u>1,042,773</u>	<u>1,772,014</u>	<u>1,098,533</u>	<u>1,046,418</u>
Net income available for debt service	<u>\$ 1,218,421</u>	<u>\$ 1,129,051</u>	<u>\$ 1,352,599</u>	<u>\$ 1,475,289</u>	<u>\$ 1,645,591</u>
Historic debt service	\$ 1,031,273	\$ 1,042,773	\$ 1,772,014	\$ 1,098,533	\$ 1,046,418
Historic coverage	1	1	1	1	2
Projected max future debt	\$ 995,769	\$ 1,008,089	\$ 998,726	\$ 1,009,166	\$ 1,032,115
Projected coverage	1	1	1	1	2

CITY OF MARSHALLTOWN, IOWA
WATER POLLUTION CONTROL
NUMBER OF CUSTOMERS BY TYPE
LAST NINE FISCAL YEARS

<u>Year</u>	<u>Residential</u>	<u>Multi-Family</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>	<u>Incr (Decr)</u>
1997	8,143	452	823	45	9,463	
1998	8,166	461	833	47	9,507	44
1999	8,215	433	826	60	9,534	27
2000	7,956	424	745	43	9,168	(366)
2001	8,051	422	744	44	9,261	93
2002	8,040	419	757	48	9,264	3
2003	7,794	469	815	46	9,124	(140)
2004	8,149	486	851	45	9,531	407
2005	8,487	436	758	42	9,723	192
2006	8,221	420	739	46	9,426	(297)

CITY OF MARSHALLTOWN, IOWA
WATER POLLUTION CONTROL
PRESENT NET ASSETS
AS OF JUNE 30, 2006

Sewer Revenue Operating & Maintenance Accounts	\$ 323,804
Sewer Revenue Sinking Reserve Fund Account	82,981
Sewer Revenue Improvement Fund Account	250,000
Additional Capital Replacement Fund Account	2,013,494
Sewer Revenue Reserve Fund Account	799,732
Undesignated	<u>892,879</u>
 Total Water Pollution Control Net Assets	 <u>\$ 4,362,890</u>

CITY OF MARSHALLTOWN, IOWA
WATER POLLUTION CONTROL
MAJOR USERS

	Avg Gallons Per Month	Monthly Bill
Swift & Company	51,839,692	\$ 98,732
IA Veterans Home	2,668,116	5,253
Emerson Processing/Fisher Controls	1,322,900	2,609
Lennox Manufacturing Inc	1,275,714	2,517
Marshalltown Company	1,235,821	2,438
Marshalltown Community School District	996,772	1,968
Marshalltown Medical & Surgical Center	889,185	1,757
Rainbow Carwash I & III	770,939	1,525
Starlite Mobile Home Park	687,599	1,361
Sunset Village Mobile Home Park	680,680	1,347

Source: City Financial Records and Marshalltown Water Works

COMPLIANCE SECTION



CPAs & BUSINESS ADVISORS

**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 Marshalltown, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 23, 2006. 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. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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 financial statements of the City of Marshalltown, Iowa, and are reported in Part II of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Dubuque, Iowa
October 23, 2006



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Marshalltown, 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 City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 of the City's compliance with those requirements.

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

Internal Control Over Compliance

The management of the City of Marshalltown, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City'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 the 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 grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the typed address and date.

Dubuque, Iowa
October 23, 2006

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct			
Department of Housing and Urban Development Section 8 Housing Choice Vouchers	14.871	IA125VO8001	\$ 1,484,445
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	IALHB0202-02	490,295
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	IALHB0292-05	452,914
			<u>943,209</u>
Department of Justice			
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0197	12,948
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0064	5,679
			<u>18,627</u>
Public Safety Partnership and Community Policing Grants	16.710	2003-SH-WX-0116	40,832
Public Safety Partnership and Community Policing Grants	16.710	2004-CK-WX-0524	13,250
Public Safety Partnership and Community Policing Grants	16.710	2005-CK-WX-0521	55,306
			<u>109,388</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0741	50,478
Department of Transportation			
Airport Improvement Program	20.106	3-19-0058-08	745,218
Airport Improvement Program	20.106	3-19-0058-09	33,108
			<u>778,326</u>
Total Direct			<u>3,384,473</u>
Indirect			
Department of Housing and Urban Development			
Iowa Department of Economic Development Community Development Block Grants/State's Program	14.228	06-CF-017	3,820
HOME Investment Partnerships Program	14.239	04-HM-163-42	38,500
Department of Justice			
Iowa Division of Criminal and Juvenile Justice Planning and Marshall County, Iowa Byrne Formula Grant Program	16.579	05JAG-A48	26,387
Iowa Department of Justice			
Crime Victim Assistance Division Violence Against Women Formula Grants	16.588	VW-06-55B	30,400
Department of Transportation			
Iowa Department of Transportation Highway Planning and Construction	20.205	STP-E-4797(607)--8T-64	147,591
Federal Transit - Capital Investment Grants	20.500	03-0104-479-05	210,815
Formula Grants for Other Than Urbanized Areas	20.509	18-0025-479-04	6,064
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-479-06	15,332
Formula Grants for Other Than Urbanized Areas	20.509	18-4027-479-06	80,074
			<u>101,470</u>
Iowa Department of Public Safety State and Community Highway Safety	20.600	PAP 05-03, Task 10	4,955

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued)			
Department of Transportation (continued)			
Iowa Department of Public Safety (continued)			
Safety Incentive Grants for Use of Seatbelts	20.604	PAP 05-157, Task 87	\$ <u>341</u>
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 05-163, Task 48	1,878
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 06-163, Task 44	<u>9,429</u>
			<u>11,307</u>
Department of Education			
Iowa Department of Public Health and Substance Abuse			
Treatment Unit of Central Iowa			
Safe and Drug-Free Schools and Communities - State Grants	84.186	5886DV09	<u>4,721</u>
Department of Health and Human Services			
Iowa Department of Public Health			
Primary Healthcare, Inc.			
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5886LP06	<u>11,424</u>
Marshall County Coalition for Youth			
Drug-Free Communities Support Program Grants	93.276	1H79SP11427-01	<u>16,138</u>
Child Care and Development Block Grant	93.575		<u>4,849</u>
Mid-Iowa Community Action			
Community Services Block Grant	93.569		<u>543</u>
Total indirect			<u>613,261</u>
Total			<u>\$ 3,997,734</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Marshalltown, Iowa, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.106 – Airport Improvement Program
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 20.500 – Federal Transit – Capital Investment Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Marshalltown, Iowa, qualified as a low-risk auditee.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-06 Business Transactions – No business transactions between the City and City officials or employees were noted.
- II-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

II-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.