

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF ORANGE CITY, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

Prepared by the
Office of the City Administrator
Duane Feekes, City Administrator

CITY OF ORANGE CITY, IOWA
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 FOR THE YEAR ENDED JUNE 30, 2006
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CITY OF ORANGE CITY, IOWA
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December 18, 2006

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Orange City:

State law requires the every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006.

Management assumes responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

William's & Company, Certified Public Accountants, have issued an unqualified "clean" opinion on the City of Orange City's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

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 of Orange City incorporated in 1884, is located in the Northwest corner of the State of Iowa, and is the county seat of Sioux County. The City of Orange City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Orange City operates under the council-administrator form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and five Council members. The Council appoints the government's administrator, who in turn appoints the heads of the various departments with council approval. Council members serve four-year terms. The mayor is elected for a two-year term. The council members are elected on a staggered basis.

The City Administrator has operating responsibilities for all City functions excluding the Library and Hospital.

The City of Orange City provides a full range of Municipal services which includes police and fire protection; the construction and maintenance of streets, and other infrastructure; recreational and cultural activities; general administration and medical care facilities. The City of Orange City also owns and operates the electric, water, sewer, and gas utilities. The City of Orange City also is financially accountable for a legally separate hospital board of which is reported separately within the City of Orange City's financial statements. Additional information on hospital can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than March 15th. This annual budget serves as the foundation for the City of Orange City's financial planning and control. Iowa budget law requires the adoption of legal budgets for expenditures on a program basis. Although the budget document presents program expenditures by fund, the legal level of control is at the aggregated program level not at the fund level.

Local Economy

Orange City is located in Sioux County in the northwest portion of Iowa, which is noted for its excellent cropland and livestock production numbers. Industry plays a big part in Orange City's economic condition with the biggest three employers being American Identity, Inc., an advertising product manufacturer, Advance Brands, Inc., a ready-to-cook food producer, and Diamond Vogel Paint and Wax, a full line paint manufacturer.

The City's economic outlook continues to be positive, with industry and commercial business showing continued growth in product lines and employment.

Fiscal year 2005-2006 was another great year for the community of Orange City. Many exciting trends and projects are taking place that continue to improve the quality of life for its citizens.

The City is improving the electric distribution system by making it more reliable. When the construction is complete the city will have two major transmission lines feeding Orange City. The present one comes from the west, the other line will come from the south end of the city. We believe it will be a great back up plan if something would happen to go wrong.

The City partnered with the Orange City Development Corporation to develop a new industrial park, since the sites at the original park are full. The new park is east of the original industrial park. There are three of the first five sites available, three to seven acres each.

Orange City, Sioux Center, and Sioux County are collaborating on a regional airport, presently conducting studies including environmental studies. The studies may take eighteen months, until the end of 2006. Then federal funds will be sought to proceed with land acquisition.

The City is also adding a turn lane to our Hwy 10, which runs through the heart of town. Roughly fifty percent of that cost will be paid by the state, twenty percent federal, and thirty percent by the city. The construction of the project will start in the spring of 2007.

The City of Orange City plays an important part in the community growth, which will continue with active participation in the planning process of our community.

Long-Term financial planning

Management of the City of Orange City is responsible for establishing and maintaining 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 are compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Unreserved, undesignated fund balance in the general fund falls within the policy guidelines set by the Council for budgetary and planning purposes (i.e., between 25 and 30 percent of total general fund revenues). Following its recent review of the City of Orange City's strategic plan, the Council plans on keeping the percentage the same for the following year, this will reduce the amount that will be needed to borrow to finance future construction.

Awards and Acknowledgements

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 of Orange City for its comprehensive annual financial report (CAFR) the year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental 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, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

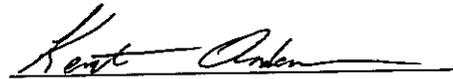
A Certificate of Achievement is valid for a period of one year only. The City of Orange City has received a Certificate of Achievement for the last 24 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire office staff. We wish to express our appreciation also to all our City employees for their dedication to making city services the best. Credit also must be given to the Honorable Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Orange City's finances.

Respectfully submitted,



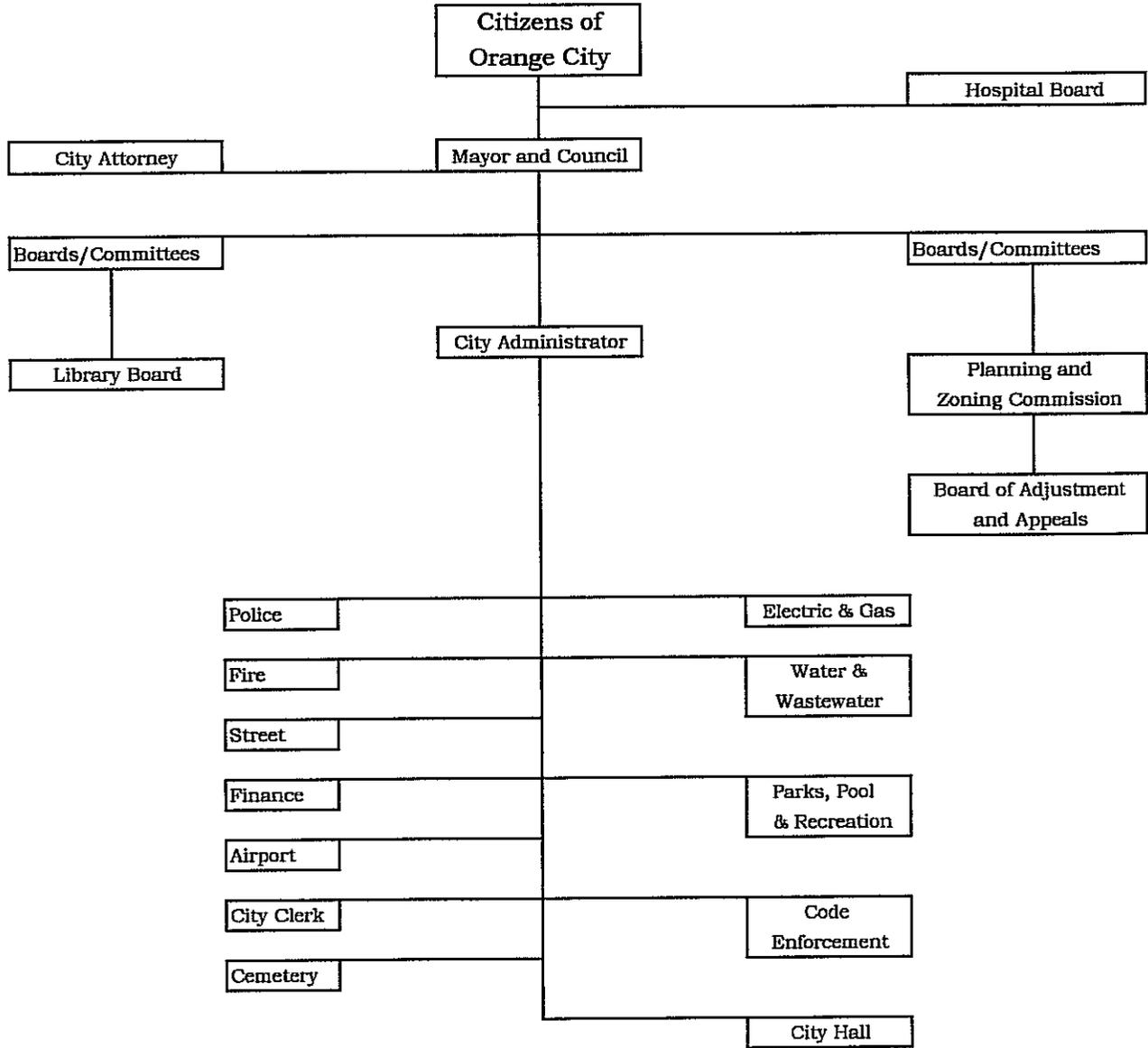
Duane Feekes
City Administrator



Kent Anderson
Finance Officer

CITY OF ORANGE CITY, IOWA

ORGANIZATIONAL CHART



CITY OF ORANGE CITY, IOWA

Directory of City Officials
Elected City Officers
June 30, 2006

MAYOR

Daryl Beltman

COUNCIL MEMBERS

Bonnie Meier
Steve Roesner
Mick Snieder
Bruce Muilenburg
Earl Woudstra

HOSPITAL TRUSTEES

Les Douma - Secretary
Randy Jacobsma – Vice Chairman
Russ Adams
Shirley Van Wechel
Tim Zeutenhorst - Chairman
Brenda Herda
Gary Vande Vegte

APPOINTED CITY OFFICERS

Duane Feekes
City Administrator

Loren Veldhuizen
City Attorney

APPOINTED BOARDS AND COMMISSIONS

ZONING BOARD OF APPEALS

Gary Cleveringa, Chairman
John Kooiman, Vice Chairman
John Zeutenhorst
Don Engelties
Audley Van Peurseem

PLANNING AND ZONING COMMISSION

David Van Engelenhoven, Chairman
Mark Lundberg, Vice Chairman
Scott Heemstra
Marlin Vollink
Rhonda Moret
Scott Simmelink
Dale Pluim

ARTS COUNCIL

Karen Barker, President
Leanne Bonnacroy, Vice President
Keith Allen, Secretary
Kim Starkenburg, Treasurer
Jim Daniels
Mike Stokes
Margene Eekhoff
Lori Kroeze
Coleman McAllister
Dori Wooldridge
Marilyn Van Engelenhoven
Joyce Bloemendaal, Executive Director

LIBRARY BOARD OF DIRECTORS

John Buntsma, President
Coleman McAllister, Vice President
Jim Ludens, Treasurer
Mary Vande Brake, Secretary
Leora Olson
Peg Juffer
Bruce Leuer

FIRE DEPARTMENT

Scott Arft
Mike Avery
Jason Bruinsma
Rob Bruxvoort
Kevin Dekker
Brian De Kock
Jon DeKoster
Brad De Vos
David Dykstra
Michael Dykstra
Josh Dykstra
Mel Elsberry
Chad Hase
Tim Huffman
Alan Jeltema
Gary Jeltema
Darwin Koele
John Lambert
Ann Lundberg
Ken Meendering
Cory Riemersma
Mike Ritz
Dan Roghair
Dan Schram
Bruce Schutt
Dennis Vander Wel, Chief
Brad White

CITY PERSONNEL

ADMINISTRATION

Kent Anderson
Gary Blythe
Janet Brown
Duane Feekes
Ted Loucks
Ken Meendering
Barb Ramsey
Mary Wichers

Finance Officer
Assistant Administrator
City Clerk
City Administrator
Public Works Director
Code Officer
Billing Clerk
Receptionist/Secretary

POLICE DEPARTMENT

Dann De Vries
Peter De Beer
Duane Hulstein
Bruce Jacobsma
Jim Pottebaum
Wesley Van Voorst
Robert Van Zee

Chief of Police
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer
Police Officer

STREET DEPARTMENT

Don Snieder
Kirk Maasdam
Randy Van De Griend

Street Crewman/Mechanic
Street Crewman
Street Foreman

PARKS AND RECREATION

Todd Larson
Brian Goslinga

Director
Park Maintenance

MUNICIPAL BUILDINGS

Bill Van Marel, Jr.

Custodian

UTILITIES

Alan De Boer
David Sassman
Michael Klootwyk
Jerry Reuvers
Arlan Scholten
Walt Schwebach
Michael Verdoorn
Alan DeJong
Gerry Bomgaars
Ed De Jong

Electric Line Maintenance Worker I
Water & Wastewater Operator
Electric Line Maintenance Worker II
Water & Wastewater Operator
Electric Department Foreman
Water & Wastewater Foreman
Electric Line Maintenance Worker I
Electric Line Maintenance Worker I
Gas Utility Foreman
Gas Utility Crewman

AIRPORT

Ron Vander Weide

Base Operator

HOSPITAL

Martin W. Guthmiller
Dina Baas

Administrator
Chief Financial Officer

LIBRARY

Karla Chase

Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orange City
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.



President

Executive Director

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 of Orange City, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 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 whose contents conform to program standards. Such comprehensive annual financial 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 our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.



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Phone (712) 546-7801
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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Orange City, Iowa

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

We did not audit the financial statements of the Orange City Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$53,801,494 and total operating revenues of \$25,877,589 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Orange City Municipal Hospital, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006, on our consideration of the City of Orange City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Orange City, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
September 8, 2006

Management's Discussion and Analysis

June 30, 2006

This discussion and analysis of the City of Orange City financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2006. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report, as well as the separately issued financial statements of Orange City's Hospital, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Orange City exceeded liabilities at June 30, 2006 by \$25,718,440. Of this amount, \$4,161,003 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,382,642 during the year. Of this amount, the assets of the Governmental Activities increased by \$681,156 and the assets of our Business Activities increased \$701,486.
- The City's long-term debt increased \$175,000 due to the issuance of General Obligation Capital Loan Notes of \$1,385,000 for street projects, and a fitness center. Outstanding General Obligation debt totals \$8,160,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, and Parks departments, and general administration. Property Taxes finances most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, and Natural Gas funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

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 can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must

be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2006 and 2005.

	General Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Current and Other Assets	\$ 3,659,280	\$ 3,338,247	\$ 8,669,131	\$ 8,511,881
Capital Assets	15,177,176	14,215,341	16,818,173	16,668,826
Total Assets	18,836,456	17,553,588	25,487,304	25,180,707
Long-Term Liabilities Outstanding	8,160,000	7,470,000	6,465,000	6,910,000
Other Liabilities	2,621,929	2,778,217	1,358,391	1,308,280
Total Liabilities	10,781,929	10,248,217	7,823,391	8,218,280
Net Assets:				
Invested in Capital Assets, Net of Related Debt	10,447,176	10,245,341	9,908,173	9,243,826
Restricted	103,957	104,647	1,098,131	475,895
Unrestricted	(2,496,606)	(3,044,617)	6,657,609	7,242,706
Total Net Assets	\$ 8,054,527	\$ 7,305,371	\$ 17,663,913	\$ 16,962,427

	Totals	
	2006	2005
Current and Other Assets	\$12,328,411	\$11,850,128
Capital Assets	31,995,349	30,884,167
Total Assets	44,323,760	42,734,295
Long-Term Liabilities Outstanding	14,625,000	14,380,000
Other Liabilities	3,980,320	4,086,497
Total Liabilities	18,605,320	18,466,497
Net Assets:		
Invested in Capital Assets, Net of Related Debt	20,355,349	19,489,167
Restricted	1,202,088	580,542
Unrestricted	4,161,003	4,198,089
Total Net Assets	\$25,718,440	\$24,267,798

This summary reflects an increase of 9.32% for the governmental net assets and an increase of 4.13% in the business-type net assets. The governmental net asset increase is due to expending resources for capital projects in excess of depreciation expense.

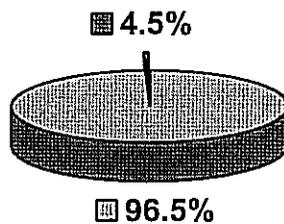
Total revenue reported in Fiscal 2006 was \$15,920,608. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2006 and 2005:

Revenue Source	General Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Program Revenues:				
Charges for Services	\$ 600,423	\$ 574,679	\$ 11,203,454	\$ 9,275,667
Operating Grants and Contributions	68,957	136,151	-	-
Capital Grants and Contributions	353,962	-	-	-
Total Program Revenues	1,023,342	710,830	11,203,454	9,275,667
General Revenues & Interfund Transfers:				
Property Taxes	2,264,411	1,617,548	-	-
Local Option Sales Tax	527,909	601,573	-	-
Interest	41,833	36,154	126,627	82,711
Unrestricted Intergovernmental Revenues	467,540	467,121	-	-
Revenue from Use of Property	13,509	13,114	-	-
Gain (Loss) on Sales of Assets	-	(3,700)	-	-
Miscellaneous	214,810	37,583	37,173	81,406
Interfund Transfers	326,004	220,926	(326,004)	(220,926)
Total General Revenues & Interfund Transfers:	\$ 3,856,016	\$ 2,990,319	(162,204)	(56,809)
Total Revenues & Interfund Transfers:	\$ 4,879,358	\$ 3,701,149	\$ 11,041,250	\$ 9,218,858

Revenue Source	Totals	
	2006	2005
Program Revenues:		
Charges for Services	11,803,877	\$ 9,850,346
Operating Grants and Contributions	68,957	136,151
Capital Grants and Contributions	353,962	-
Total Program Revenues	12,226,796	9,986,497
General Revenues & Interfund Transfers:		
Property Taxes	2,264,411	1,617,548
Local Option Sales Tax	527,909	601,573
Interest	168,460	118,865
Unrestricted Intergovernmental Revenues	467,540	467,121
Revenue from Use of Property	13,509	13,114
Gain (Loss) on Sales of Assets	-	(3,700)
Miscellaneous	251,983	118,989
Interfund Transfers	-	-
Total General Revenues & Interfund Transfers:	\$ 3,693,812	\$ 2,933,510
Total Revenues & Interfund Transfers:	\$ 15,920,608	\$ 12,920,007

Program revenues totaled \$12,226,796 for fiscal year 2006. Governmental Activities provided \$1,023,342 and Business-Type Activities provided \$11,203,454. Revenue collected for Charges for Services during fiscal year 2006 was \$11,803,877, accounting for 96.5% of the total program revenues. The following chart breaks down program revenues by source:

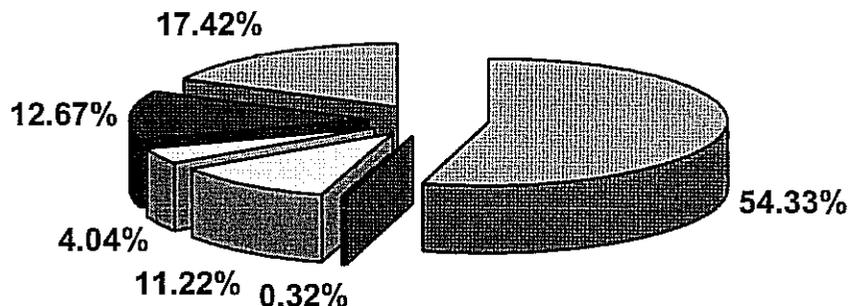
Program Revenues



- Program Revenue 96.5%
- Operating Grants and Contributions 4.5%

General Revenues for fiscal year 2006 totaled \$3,693,812. Governmental Activities provided \$3,856,016 and Business-Type Activities used \$162,204. Property Tax Revenues for fiscal year 2006 totaled \$2,264,411, accounting for 58.7% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



- Taxes 54.33%
- Revenue from Use of Property .32%
- General Intergovernmental 11.22%
- Interest 4.04%
- Other Taxes 12.67%
- Miscellaneous 17.42%

Expenses for Fiscal 2006 totaled \$ 14,537,966. Expenses for General Governmental Activities totaled \$ 4,198,202, accounting for 29% of total expenses. Business-Type Activity expenses totaled \$ 10,339,764, for 71% of the total.

The following table shows total expenses by Function/Program for FY 2006 and FY 2005:

	General Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Public Safety	\$ 615,728	\$ 571,640	-	-
Public Works	1,554,367	1,503,075	-	-
Culture and Recreation	934,012	923,700	-	-
Community & Economic Development	66,129	3,510,694	-	-
General Government	702,510	442,852	-	-
Debt Service	325,456	281,582	-	-
Sewer System	-	-	\$ 472,866	\$ 478,203
Water System	-	-	715,885	673,470
Electric System	-	-	4,649,895	4,360,760
Natural Gas System	-	-	4,501,118	3,257,135
Total Expenses	\$ 4,198,202	\$ 7,233,543	10,339,764	\$ 8,769,568

	Totals	
	2006	2005
Public Safety	\$ 615,728	\$ 571,640
Public Works	1,554,367	1,503,075
Culture and Recreation	934,012	923,700
Community & Economic Development	66,129	3,510,694
General Government	702,510	442,852
Debt Service	325,456	281,582
Sewer System	472,866	478,203
Water System	715,885	673,470
Electric System	4,649,895	4,360,760
Natural Gas System	4,501,118	3,257,135
Total Expenses	\$ 14,537,966	\$16,003,111

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning and Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the Waste Water Treatment Plant/Supply Distribution System
Water System	Operation of Water Treatment Plant/Supply Distribution System
Electric System	Operation of Electric Plant/Supply Distribution System
Natural Gas System	Operation of Natural Gas Plant/Supply Distribution System

Governmental of Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$615,728 and received \$146,873 in revenue, thus leaving a cost to the taxpayer of \$ 468,855 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent, Special Assessments
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$4,198,202. Of these costs, \$600,423 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution was \$422,919, leaving a Net Expense of \$3,174,860 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2006	2005
Governmental Activities:		
Public Safety	\$ (468,855)	\$ (432,559)
Public Works	(879,065)	(1,300,832)
Culture and Recreation	(785,896)	(708,177)
Community and Economic Development	(30,494)	(3,510,694)
General Government	(685,094)	(363,064)
Capital Projects	-	64,195
Debt Service	(325,456)	(281,582)
Total Net (Expense) Revenue Governmental Activities	(3,174,860)	(6,522,713)
General Revenues & Interfund Transfers	3,856,016	2,990,319
Change in Net Assets	\$ 681,156	(3,532,394)

Total resources available during the year to finance governmental operations were \$12,252,729, consisting of Net Assets at July 1, 2005 of \$7,373,371, Program Revenues of \$1,023,342 and General Revenues of \$3,856,016. Total Governmental Activities during the year expended \$ 4,198,202; thus, Net Assets were increased by \$681,156 to \$8,054,527.

Business Type Activities

Business Type Activities increased the City's net assets by \$701,486.

The cost of all Proprietary Activities this year was \$10,339,764. As shown in the Statement of Activities, the amounts paid by users of the systems was \$11,203,454, resulting in total Net Revenue for Business Type Activities of \$863,690. The Net Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2006	2005
Governmental Activities:		
Electric System	\$ 501,810	\$ 275,199
Water System	149,858	99,846
Sewer System	83,363	55,718
Natural Gas System	128,659	75,336
Total Net (Expense) Revenue Business-Type Activities	863,690	506,099
General Revenues & Interfund Transfers	(162,204)	(56,809)
Change in Net Assets	\$ 701,486	\$ 449,290

Total resources available during the year to finance Proprietary Fund activities were \$28,003,677, consisting of Net Assets at July 1, 2005 of \$16,962,427, Program Revenues of \$11,203,454 and General Revenues of \$(162,204). Total Proprietary Fund Activities during the year expended \$10,339,764; thus Net Assets were increased by \$701,486 to \$17,663,913.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$832,987. The combined Governmental Funds balance increased \$359,984 from the prior year.

The General Fund is the primary operating fund of the City. During the year, expenses exceeded revenues in the General fund by \$68,176.

The Road Use Tax Fund is used to account for the collection and disbursement of state fuel tax dollars. During the year, expenditures exceeded revenues by \$24,605.

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax dollars to be used for property tax replacement and therefore transferred to the general fund.

The Debt Service Fund is used to account for collection of general property taxes for the repayment of general obligation debt.

General Fund Budgetary Highlights

Comparing the fiscal year 2006 original (adopted) General Fund amount of \$2,726,084 to the final budget amount of \$2,920,084 shows a net increase of \$194,000.

Original Budget	Supplemental Changes	Amended Budget
\$2,726,084	\$ 194,000	\$ 2,920,084

The following table shows the General Fund budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 623,813	\$ 609,050	\$ 14,763
Public Works	895,919	777,744	118,175
Culture and Recreation	853,272	819,792	33,480
Community and Economic Development	65,900	324,054	(258,154)
General Government	481,180	452,257	28,923
Total Expenditures	\$ 2,920,084	\$ 2,982,897	\$ (62,813)

During the year there was a \$194,000 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$ 8,500 supplemental appropriation to the police and fire department for fuel costs and repair to the ladder truck.
- \$ 37,000 supplemental appropriation for storm sewer work in our new housing development (Bouma & Reinders).
- \$ 85,000 supplemental appropriation to the airport for a new fueling system.
- \$ 35,000 supplemental appropriation to the fitness center for operating costs.

A part of the increase was possible because of additional revenues. Those revenues included a grant for the airport fueling system, and membership fees for the fitness center. The rest of the appropriations were paid with the fund balance from the general fund.

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2006, was \$20,355,349 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2006 are as follows:

	General Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Land	-	-	-	\$ 41,600
Infrastructure	\$ 869,522	\$ 494,334	-	-
Buildings	9,985	15,935	-	2,115,294
Improvements-Other than Buildings	34,889	7,241	-	-
Equipment	203,257	65,657	\$ 106,827	246,228
Utility Plant	-	-	608,447	2,745,609
Construction in Progress	1,837,184	1,457,586	220,685	222,539
Total Gross Additions	\$ 2,954,837	2,040,753	\$ 935,959	\$ 5,371,270

	Totals	
	2006	2005
Land	-	\$ 41,600
Infrastructure	\$ 869,522	494,334
Buildings	9,985	2,131,229
Improvements-Other Buildings	34,889	7,241
Equipment	310,084	311,885
Utility Plant	608,447	2,745,609
Construction in Progress	2,057,869	1,680,125
Total Expenditures	\$ 3,890,796	\$ 7,412,023

Construction In Progress at June 30, 2006 for governmental activities consisted of costs associated with the Hwy 10 project, Park Improvements, and Downtown Streetscape.

For Business-Type Activities, the Construction in progress consisted of costs associated with the electric distribution improvements and with the Southwest Well # 3 project.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$15,070,000 of debt outstanding. Of this amount, \$ 8,160,000 comprises debt backed by the full faith and credit of the government. The remainder of \$ 6,910,000 is debt represented by bonds secured solely by the specified revenue sources (i.e., revenue bonds).

Debt administration is on track, with over 65% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$11,071,244. With outstanding General Obligation Debt applicable to this limit of \$8,128,733, we are utilizing 73.4% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

The City of Orange City worked hard in FY 2006 to maintain a positive approach to growth and development. Continued progressive growth in the Orange City community had a positive effect on the City's unemployment and tax base. The growth in Local Option Sales Tax demonstrates that the Orange City's economy continues to grow.

New housing developments in the city include private development, including water, sewer and paving improvements. The City has worked to market the new industrial park located in the south end of town. The City is looking forward to new industry coming to the community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent Anderson at 712-707-4885.

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

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Orange City Municipal Hospital
	Activities	Activities		
ASSETS				
Cash and Cash Equivalents	\$ 501,571	\$ 390,084	\$ 891,655	\$ 2,745,822
Investments	1,600,521	1,840,000	3,440,521	1,037,635
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	20,258	833,736	853,994	4,697,912
Taxes	5,349	-	5,349	-
Subsequent Year Taxes	2,114,818	-	2,114,818	-
Accrued Interest	8,788	13,188	21,986	13,320
Other	-	8,470	8,470	619
Estimated Unbilled Usage	-	302,703	302,703	-
Special Assessments	86,937	-	86,937	-
Advances to Other Funds	(77,194)	77,194	-	-
Interfund Balances	(945,956)	945,956	-	-
Due from Other Governmental Agencies	114,278	110,180	224,458	-
Inventories	18,033	485,562	503,595	546,158
Prepaid Assets	84,777	61,476	146,253	73,309
Investment in Joint Venture	-	2,335,190	2,335,190	-
Other	-	-	-	192,054
Restricted Assets, Cash and Investments:				
Cash and Cash Equivalents	-	389	389	75,062
Temporary Cash Investments	-	-	-	670,000
Revenue Bond Current Debt				
Service Account - Invest.	-	305,000	305,000	-
Revenue Bond Future Debt				
Service Account - Invest.	-	765,000	765,000	-
Revenue Bond Contingency (Renewal and Replacement)				
Account - Investment	-	100,000	100,000	-
Pledges Receivable	-	-	-	1,415,710
Bond Issue Costs	127,100	94,983	222,083	184,980
Land	809,448	339,916	1,149,364	1,139,373
Construction in Progress	2,461,556	220,685	2,682,241	1,963,082
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	11,906,172	16,257,572	28,163,744	39,046,458
Total Assets	18,836,456	25,487,304	44,323,760	53,801,494
LIABILITIES				
Accounts Payable	376,876	704,218	1,081,094	2,100,530
Accrued Wages and Compensated Absences	49,197	27,423	76,620	1,302,805
Accrued Expenses	30,389	28,855	59,244	45,896
Customer Deposits	-	21,260	21,260	38,600
Due to Other Funds	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	2,114,818	-	2,114,818	-
Payables from Restricted Assets:				
Accrued Interest	-	72,258	72,258	32,351
Revenue Bonds - Current	-	445,000	445,000	501,661
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	-	-	23,181,071
General Obligation Bonds	780,000	-	780,000	-
Notes Payable	-	-	-	1,300,000
Compensated Absences and Benefits	50,649	59,377	110,026	-
Due in more than one year:				
Revenue Bonds Payable	-	6,465,000	6,465,000	23,181,071
General Obligation Bonds	7,380,000	-	7,380,000	-
Total Liabilities	10,781,929	7,823,391	18,605,320	51,683,985
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	10,447,176	9,908,173	20,355,349	17,166,181
Restricted for:				
Debt Service	31,267	1,098,131	1,129,398	-
Permanent Funds - nonexpendable	72,690	-	72,690	-
Donor Restrictions	-	-	-	1,070,907
Unrestricted	(2,496,606)	6,657,609	4,161,003	7,061,492
Total Net Assets	\$ 8,054,527	\$ 17,663,913	\$ 25,718,440	\$ 25,298,580

CITY OF ORANGE CITY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 615,728	\$ 117,314	\$ 29,559	\$ -
Public Works	1,554,367	321,340	-	353,962
Culture and Recreation	934,012	118,718	29,398	-
Community and Economic Development	66,129	25,635	10,000	-
General Government	702,510	17,416	-	-
Debt Service	325,456	-	-	-
Total governmental activities	<u>4,198,202</u>	<u>600,423</u>	<u>68,957</u>	<u>353,962</u>
Business-Type Activities:				
Electric Utility	4,649,895	5,151,705	-	-
Water Utility	715,885	865,743	-	-
Sewer Utility	472,866	556,229	-	-
Gas Utility	4,501,118	4,629,777	-	-
Total Business-Type Activities:	<u>10,339,764</u>	<u>11,203,454</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 14,537,966</u>	<u>\$ 11,803,877</u>	<u>\$ 68,957</u>	<u>\$ 353,962</u>
Component Unit:				
Orange City Municipal Hospital	<u>\$ 26,110,323</u>	<u>\$ 25,877,589</u>	<u>\$ 648,580</u>	<u>-</u>

General Revenues:
Property taxes
Local Option Sales Tax
Interest
Unrestricted Intergovernmental Revenues
Use of property
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior Period Adjustment
Net assets - ending

See Accompanying Notes to Financial Statements

<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit Orange City Municipal Hospital</u>
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
\$ (468,855)		\$ (468,855)	
(879,065)		(879,065)	
(785,896)		(785,896)	
(30,494)		(30,494)	
(685,094)		(685,094)	
(325,456)		(325,456)	
<u>(3,174,860)</u>		<u>(3,174,860)</u>	
	\$ 501,810	501,810	
	149,858	149,858	
	83,363	83,363	
	128,659	128,659	
	<u>863,690</u>	<u>863,690</u>	
<u>(3,174,860)</u>	<u>863,690</u>	<u>(2,311,170)</u>	
			<u>\$ 415,846</u>
2,264,411	-	2,264,411	-
527,909	-	527,909	-
41,833	126,627	168,460	150,154
467,540	-	467,540	-
13,509	-	13,509	-
214,810	37,173	251,983	13,436
326,004	(326,004)	-	-
<u>3,856,016</u>	<u>(162,204)</u>	<u>3,693,812</u>	<u>163,590</u>
681,156	701,486	1,382,642	579,436
7,305,371	16,962,427	24,267,798	24,719,144
68,000		68,000	
<u>\$ 8,054,527</u>	<u>\$ 17,663,913</u>	<u>\$ 25,718,440</u>	<u>\$ 25,298,580</u>

CITY OF ORANGE CITY, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2006

	General	Road Use Tax	Local Option Sales Tax
Assets			
Cash and Pooled Investments	\$ 150,071	\$ -	\$ 61,261
Investments	787,831	240,000	375,000
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	20,258	-	-
Taxes	1,516	-	-
Subsequent Year Taxes	948,670	-	-
Accrued Interest	6,355	-	2,294
Special Assessments	86,937	-	-
Due from Other Funds	324,613	-	-
Due from Other Governmental Agencies	713	36,442	77,123
Inventories	-	18,033	-
Total Assets	<u>2,326,964</u>	<u>294,475</u>	<u>515,678</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	156,573	-	-
Accrued Wages and Compensated Absences	49,197	-	-
Due to Other Funds	-	29,283	-
Unearned Revenue	73,525	-	-
Deferred Revenue-- Subsequent Year Taxes	948,670	-	-
Advance from Other Funds	-	-	-
Total Liabilities	<u>1,227,965</u>	<u>29,283</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Debt Service	-	-	-
Perpetual Care	-	-	-
Inventories	-	18,033	-
Unreserved			
Special Revenue Funds	-	247,159	515,678
Capital Project Funds	-	-	-
General Fund	1,098,999	-	-
Total Fund Balances (Deficits)	<u>1,098,999</u>	<u>265,192</u>	<u>515,678</u>
Total Liabilities and Equity	<u>\$ 2,326,964</u>	<u>\$ 294,475</u>	<u>\$ 515,678</u>

See Accompanying Notes to Financial Statements

Debt Service	Industrial Park Improvements	Other Governmental Funds	Total Governmental Funds
\$ 27,434	\$ -	\$ 262,805	\$ 501,571
-	-	197,690	1,600,521
-	-	-	20,258
3,833	-	-	5,349
990,198	-	175,950	2,114,818
-	-	139	8,788
-	-	-	86,937
-	-	-	324,613
-	-	-	114,278
-	-	-	18,033
1,021,465	-	636,584	4,795,166
-	-	220,303	376,876
-	-	-	49,197
-	807,735	433,551	1,270,569
-	-	-	73,525
990,198	-	175,950	2,114,818
-	-	77,194	77,194
990,198	807,735	906,998	3,962,179
31,267	-	-	31,267
-	-	72,690	72,690
-	-	-	18,033
-	-	102,083	864,920
-	(807,735)	(445,187)	(1,252,922)
-	-	-	1,098,999
31,267	(807,735)	(270,414)	832,987
\$ 1,021,465	\$ -	\$ 636,584	\$ 4,795,166

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

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 30)	\$ 832,987
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,177,176
Deferred revenues that provide current financial resources for governmental activities	73,525
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(30,389)
Accrued compensated absences not reported on the modified accrual basis	(50,649)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	127,100
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	84,777
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(8,160,000)</u>
 Total Net Assets - Governmental Activities (page 26)	 <u><u>\$ 8,054,527</u></u>

See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2006

	General	Road Use Tax	Local Option Sales Tax
Revenue:			
Taxes	\$ 906,275	\$ -	\$ -
Licenses and Permits	3,834	-	-
Intergovernmental	133,518	467,540	-
Charges for Services	296,673	-	-
Fines and Forfeits	25,988	-	-
Contributions from Property Owners	21,084	-	-
TIF Revenue	260,978	-	-
Local Option Sales Tax	-	-	490,917
Proceeds from Sale of Real Estate	-	-	-
Interest on Investments	38,407	-	2,294
Miscellaneous	111,733	-	-
Total Revenue	1,798,490	467,540	493,211
Expenditures:			
Public Safety	609,050	-	-
Public Works	777,744	-	-
Culture and Recreation	819,792	-	-
Community and Economic Development	324,054	-	-
General Government	452,257	-	-
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Total Expenditures	2,982,897	-	-
Excess (deficiency) of revenues over expenditures	(1,184,407)	467,540	493,211
Other financing sources (uses):			
Issuance of Debt	-	-	-
Bond Issue Costs	-	-	-
Transfers In	1,116,231	-	-
Transfers Out	-	(492,145)	(446,727)
Total other financing sources (uses)	1,116,231	(492,145)	(446,727)
Net Change in Fund Balance	(68,176)	(24,605)	46,484
Fund balances (Deficits)-beginning of year	1,099,175	286,597	469,194
Prior Period Adjustment	68,000		
Increase in Reserve for Inventory	-	3,200	-
Fund balances (Deficits)- end of year	\$ 1,098,999	\$ 265,192	\$ 515,678

See Accompanying Notes to Financial Statements

Debt Service	Industrial Park Improvements	Other Governmental Funds	Total Governmental Funds
\$ 954,430	\$ -	\$ -	\$ 1,860,705
-	-	-	3,834
-	190,515	163,447	955,020
-	-	-	296,673
-	-	-	25,988
-	-	-	21,084
-	-	176,632	437,610
-	-	36,992	527,909
-	130,265	-	130,265
77	-	1,056	41,834
-	-	174,604	286,337
<u>954,507</u>	<u>320,780</u>	<u>552,731</u>	<u>4,587,259</u>
-	-	-	609,050
-	-	-	777,744
-	-	-	819,792
-	-	-	324,054
-	-	-	452,257
-	895,745	971,553	1,867,298
620,000	-	75,000	695,000
348,327	-	22,482	370,809
<u>968,327</u>	<u>895,745</u>	<u>1,069,035</u>	<u>5,916,004</u>
<u>(13,820)</u>	<u>(574,965)</u>	<u>(516,304)</u>	<u>(1,328,745)</u>
-	-	1,385,000	1,385,000
-	-	(22,275)	(22,275)
10,680	46,218	102,427	1,275,556
-	-	(10,680)	(949,552)
<u>10,680</u>	<u>46,218</u>	<u>1,454,472</u>	<u>1,688,729</u>
(3,140)	(528,747)	938,168	359,984
34,407	(278,988)	(1,208,582)	401,803
-	-	-	68,000
-	-	-	3,200
<u>\$ 31,267</u>	<u>\$ (807,735)</u>	<u>\$ (270,414)</u>	<u>\$ 832,987</u>

**CITY OF ORANGE CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006**

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

Net change in fund balances - total governmental funds (page 33)	\$ 363,184
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation expense in the current year as follows:</p>	
Expenditures for capital assets	2,104,439
Depreciation expense	<u>(1,142,604)</u> 961,835
Revenues reported in the funds that are not available to provide current financial resources	(33,904)
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources	8,423
Accrued interest expense that does not require current financial resources	60,565
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	3,990
The issuance of indebtedness is provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(1,385,000)
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	7,063
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>695,000</u>
Change in net assets of governmental activities (page 28)	<u>\$ 681,156</u>

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2006

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 19,474	\$ 37,433	\$ 68,997
Investments	1,150,000	340,000	175,000
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	550,737	82,579	43,064
Accrued Interest	3,860	5,153	2,481
Other	1,224	2,525	2,724
Estimated Unbilled Usage	184,119	37,080	18,787
Advances to Other Funds	-	23,479	53,715
Due from Other Funds	-	419,407	796,323
Due from Other Governmental Agencies	-	55,090	55,090
Inventories	446,576	13,570	-
Prepaid Assets	24,838	16,899	10,750
Total Current Assets	<u>2,380,828</u>	<u>1,033,215</u>	<u>1,226,931</u>
Non Current Assets			
Investment in Joint Venture	1,710,190	625,000	-
Restricted Assets:			
Revenue Bond Current Debt Service - Cash	389		
Revenue Bond Current Debt			
Service Account - Investment	100,000	120,000	60,000
Revenue Bond Future Debt			
Service Account - Investment	200,000	255,000	150,000
Revenue Bond Contingency (Renewal and Replacement)			
Account - Investment	-	100,000	-
Bond Issue Costs	25,539	37,319	9,448
Land	27,539	63,224	249,153
Construction in Progress	194,428	26,257	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,975,182	4,654,764	4,057,818
Total Noncurrent Assets	<u>8,233,267</u>	<u>5,881,564</u>	<u>4,526,419</u>
Total Assets	<u>10,614,095</u>	<u>6,914,779</u>	<u>5,753,350</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	352,234	22,906	6,381
Accrued Wages and Compensated Absences	46,663	16,636	11,112
Accrued Expenses	20,976	4,596	1,267
Customer Deposits	13,815	-	-
Due to Other Funds	136,779	-	-
Payables from Restricted Assets:			
Accrued Revenue Bond Interest	11,420	42,608	8,207
Revenue Bonds - Current	120,000	150,000	90,000
Total Current Liabilities	<u>701,887</u>	<u>236,746</u>	<u>116,967</u>
Noncurrent Liabilities:			
Due in more than one year:			
Revenue Bonds Payable	1,765,000	2,375,000	910,000
Total Liabilities	<u>2,466,887</u>	<u>2,611,746</u>	<u>1,026,967</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,312,149	2,219,245	3,306,971
Restricted for:			
Debt Service	288,969	432,392	201,793
Investment in Joint Venture	-	-	-
Unrestricted	3,546,090	1,651,396	1,217,619
Total Net Assets	<u>\$ 8,147,208</u>	<u>\$ 4,303,033</u>	<u>\$ 4,726,383</u>

Business Type Activities	
Gas Utility	Total
\$ 264,180	\$ 390,084
175,000	1,840,000
157,356	833,736
1,704	13,198
1,997	8,470
62,717	302,703
-	77,194
-	1,215,730
-	110,180
25,416	485,562
8,989	61,476
<u>697,359</u>	<u>5,338,333</u>
-	2,335,190
	389
25,000	305,000
160,000	765,000
-	100,000
22,687	94,993
-	339,916
-	220,685
<u>1,569,808</u>	<u>16,257,572</u>
<u>1,777,495</u>	<u>20,418,745</u>
<u>2,474,854</u>	<u>25,757,078</u>
322,697	704,218
12,389	86,800
2,016	28,855
7,445	21,260
132,995	269,774
10,023	72,258
85,000	445,000
<u>572,565</u>	<u>1,628,165</u>
<u>1,415,000</u>	<u>6,465,000</u>
<u>1,987,565</u>	<u>8,093,165</u>
69,808	9,908,173
174,977	1,098,131
-	-
242,504	6,657,609
<u>\$ 487,289</u>	<u>\$ 17,663,913</u>

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2006

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	\$ 5,151,705	\$ 865,743
Total Operating Revenue	<u>5,151,705</u>	<u>865,743</u>
Operating Expenses:		
Production	3,266,756	155,001
Transmission	244,142	122
Distribution / Collection	376,654	115,716
Administrative and General	231,661	132,250
Depreciation	355,288	206,746
Total Operating Expenses	<u>4,474,501</u>	<u>609,835</u>
Operating Income	677,204	255,908
Non-Operating Income (Expense):		
Interest Income	47,292	34,097
Other Non-operating Revenues	17,443	11,825
Interest Expense	(72,599)	(106,050)
Other Non-operating Expenses	(102,795)	
Total Non-Operating Income (Expenses)	<u>(110,659)</u>	<u>(60,128)</u>
Income before Transfers	566,545	195,780
Transfers Out	<u>(296,004)</u>	<u>(15,000)</u>
Change in Net Assets	270,541	180,780
Net Assets - Beginning	<u>7,876,667</u>	<u>4,122,253</u>
Net Assets - Ending	<u>\$ 8,147,208</u>	<u>\$ 4,303,033</u>

See Accompanying Notes to Financial Statements

Business Type Activities

Sewer Utility	Gas Utility	Total
\$ 556,229	\$ 4,629,777	\$ 11,203,454
<u>556,229</u>	<u>4,629,777</u>	<u>11,203,454</u>
76,968		3,498,725
	4,139,081	4,383,345
78,320	125,085	695,775
97,979	104,796	566,686
162,751	61,827	786,612
<u>416,018</u>	<u>4,430,789</u>	<u>9,931,143</u>
140,211	198,988	1,272,311
37,442	7,796	126,627
7,565	340	37,173
(56,848)	(70,329)	(305,826)
		<u>(102,795)</u>
<u>(11,841)</u>	<u>(62,193)</u>	<u>(244,821)</u>
128,370	136,795	1,027,490
<u>(15,000)</u>		<u>(326,004)</u>
113,370	136,795	701,486
<u>4,613,013</u>	<u>350,494</u>	<u>16,962,427</u>
\$ <u>4,726,383</u>	\$ <u>487,289</u>	\$ <u>17,663,913</u>

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2006

	Business Type Activities	
	Electric Utility	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 5,018,808	\$ 795,627
Cash Paid to Suppliers for Goods and Services	(3,526,838)	(215,648)
Cash Paid to Employees for Services	(421,695)	(202,401)
Other Nonoperating Income	17,443	11,825
Other Nonoperating Expenses	(102,795)	-
Net Cash Provided by Operating Activities	<u>984,923</u>	<u>389,403</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Decrease in Investment in Joint Venture	17,862	
Acquisition and Construction of Capital Assets	(720,674)	(204,054)
Due from Other Governments		16,405
Principal Paid on Notes and Bonds	(120,000)	(145,000)
Interest Paid on Notes and Bonds	(69,598)	(103,637)
Net Cash (Used) for Capital and Related Financing Activities	<u>(892,410)</u>	<u>(436,286)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers From (To) Other Funds	(296,004)	(15,000)
Advances From (To) Other Funds		4,693
Due From (To) Other Funds	136,779	(419,407)
Net Cash (Used) for Non-Capital Financing Activities	<u>(159,225)</u>	<u>(429,714)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(1,599,500)	(815,000)
Proceeds from Sale of Investment Securities	1,450,000	1,222,000
Interest and Dividends on Investments	48,221	30,262
Net Cash Provided (Used) for Investing Activities	<u>(101,279)</u>	<u>437,262</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(167,991)</u>	<u>(39,335)</u>
Cash and Cash Equivalents at Beginning of Year	<u>187,854</u>	<u>76,768</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,863</u>	<u>\$ 37,433</u>

See Accompanying Notes to Financial Statements

Business Type Activities

Sewer Utility	Gas Utility	Total
\$ 558,771	\$ 4,636,110	\$ 11,009,316
(93,352)	(4,063,708)	(7,899,546)
(160,164)	(138,721)	(922,981)
7,565	340	37,173
-	-	(102,795)
<u>312,820</u>	<u>434,021</u>	<u>2,121,167</u>
		17,862
(103,256)	(80,011)	(1,107,995)
16,405		32,810
(170,000)	(80,000)	(515,000)
(54,852)	(67,974)	(296,061)
<u>(311,703)</u>	<u>(227,985)</u>	<u>(1,868,384)</u>
(15,000)		(326,004)
7,480		12,173
(644,405)	(18,923)	(945,956)
<u>(651,925)</u>	<u>(18,923)</u>	<u>(1,259,787)</u>
(350,000)	(177,000)	(2,941,500)
875,000	100,000	3,647,000
<u>38,551</u>	<u>7,297</u>	<u>124,331</u>
563,551	(69,703)	829,831
(87,257)	117,410	(177,173)
<u>156,254</u>	<u>146,770</u>	<u>567,646</u>
<u>\$ 68,997</u>	<u>\$ 264,180</u>	<u>\$ 390,473</u>

continued

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2006

	Business Type Activities	
	Electric Utility	Water Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income	\$ 677,204	\$ 255,908
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	355,288	206,746
Other Non-Operating Income	17,443	11,825
Other Non-Operating Expenses	(102,795)	
(Increase) Decrease in Assets:		
Accounts Receivable	(135,378)	(29,582)
Other	13,560	(875)
Inventories	(35,709)	12,710
Prepaid Expenses	(2,231)	(1,480)
Increase (Decrease) in Liabilities		
Accounts Payable	194,073	(30,523)
Accrued Wages and Compensated Absences	3,263	2,888
Accrued Expenses	11,284	1,445
Customer Deposits	(11,079)	(39,659)
Total Adjustments	<u>307,719</u>	<u>133,495</u>
Net Cash Provided by Operating Activities	<u>\$ 984,923</u>	<u>\$ 389,403</u>
Cash and Cash Equivalents	19,474	37,433
Revenue Bond Current Debt Service	389	
Total Cash and Cash Equivalents	<u>\$ 19,863</u>	<u>\$ 37,433</u>

See Accompanying Notes to Financial Statements

Business Type Activities

Sewer Utility	Gas Utility	Total
\$ 140,211	\$ 198,988	\$ 1,272,311
162,751	61,827	786,612
7,565	340	37,173
		(102,795)
3,567	11,479	(149,914)
(1,025)	(1,972)	9,688
	2,502	(20,497)
(1,240)	(1,342)	(6,293)
352	164,536	328,438
669	898	7,718
(30)	(61)	12,638
	(3,174)	(53,912)
<u>172,609</u>	<u>235,033</u>	<u>848,856</u>
<u>\$ 312,820</u>	<u>\$ 434,021</u>	<u>\$ 2,121,167</u>
68,997	264,180	390,084
		389
<u>\$ 68,997</u>	<u>\$ 264,180</u>	<u>\$ 390,473</u>

CITY OF ORANGE CITY, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
June 30, 2006

ASSETS

Cash and Cash Equivalents	\$	25,285
Investments		125,000
Accrued Interest		139
		<hr/>
Total Assets		150,424

LIABILITIES

Accounts Payable		21,295
Due to Bond Holders		129,129
		<hr/>
Total Liabilities		150,424

NET ASSETS

Unrestricted		-
		<hr/>
Total Net Assets	\$	-

See Accompanying Notes to Financial Statements

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Orange City, Iowa is a political subdivision of the State of Iowa located in Sioux County, and was incorporated in 1884, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides electric, water, sewer and gas utilities.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

For financial reporting purposes, the City of Orange City, 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 Orange City, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The Orange City Municipal Hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Orange City Area Health Foundation is a component unit of the Orange City Municipal Hospital, so the Foundation's financial data is combined with the Hospital's financial data. The municipal hospital is financially accountable to the City through budget responsibilities and debt issue restrictions.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. City officials are members of the following Boards and Commissions: Sioux County Conference Board, Sioux County Emergency Management Commission, and Sioux County Joint E911 Service Board.

B. Basic Financial Statements-Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, health and social services, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for Capital Improvement/Community Betterment Projects.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- 4) Capital Project Fund – Industrial Park Improvements – The Industrial Park Improvement Fund is used to account for the construction of the new industrial park.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric systems.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Gas Fund is used to account for the operation and maintenance of the City's gas system.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's agency funds include the payroll clearing fund and the puddlejumper trail special assessment fund to account for repayment of special assessment bonds with no governmental commitment.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the debt service and community and economic development functions.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes demand deposits, cash on hand and cash investments with original maturities of three months or less.

2) Investments

The City and its component unit use the following methods in determining the reported amounts.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

<u>City</u>	<u>Type</u>	<u>Method</u>
	Nonnegotiable Certificates of Deposit	Cost
	Iowa Public Agency Investment Trust	Fair Value determined by current share price
 <u>Component Unit</u>		
	Interest-earning investment contracts	
	Nonnegotiable certificates of deposit	Cost
	Open-end mutual funds	
	(governmental external investment pool registered As an investment company)	Fair Value determined by current share price
	Publicly traded mutual funds	Fair Value based on quoted market prices
 <u>Debt Securities</u>		
	Negotiable certificates of deposit and U.S. Government Agency Securities	
	Maturity of one year or less when purchased	Amortized cost
	Maturity to more than one year when purchased	Fair Value based on quoted Market prices

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council 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 Council 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 Council 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.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005. Any county collections on the 2005-2006 tax levy remitted to the City within 60 days subsequent to June 30, 2006, are recorded as property tax revenue.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2006, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

Inventories of governmental funds are valued at cost using FIFO while those of enterprise funds are valued using the average cost method. For fund level reporting, the cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental funds are equally offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of net current assets. Inventory of the discretely presented component unit is valued at cost using FIFO.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006 are recorded as prepaid items.

K. Restricted Assets

Revenue bond ordinances require the City to reserve certain cash and investments to provide for payment of bonds and interest, for protection of bondholders, and for extension and improvement of facilities. These balances are separately disclosed in the Enterprise Funds. Other restricted assets include temporary cash investments for the perpetual care fund.

L. Property and Equipment

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost of \$25,000 or more beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Buildings & Improvements	25 – 50 Years
Land Improvements	20 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Vehicles	5 – 20 Years
Infrastructure	10 – 65 Years

M. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Fund Equity

Reserves represent those portions of fund equity legally segregated for a specific future use.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Q. Landfill Closure Costs

The City does not operate a sanitary landfill; therefore, no closure/post closure costs are included in these statements.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2006, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or the City's agency in the City's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30 the primary governments investments were reported at amortized cost as follows:

	<u>Maturities</u>	
Negotiable Certificates of Deposit		\$ 448,254
Iowa Public Agency Investment Trust	Daily	60,000
Totals		\$ 4,542,521

Component Unit:

The Hospital's investments, except the mutual funds, are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. All investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

As of June 30, 2006, the Hospital's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

	<u>Maturities</u>	
Investments		
Iowa Public Agency Investment Trust	Daily	\$ 1,571,028
U.S. Government agency securities	05/27/09-11/01/31	136,607
Totals		\$ 1,707,635

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

There were no significant changes in investments held during the fiscal year ended June 30, 2006.

Note 3 - PLEDGES RECEIVABLES

At June 30, 2006, the component unit's Foundation pledges receivable consisted of pledges restricted for the building of a new health campus and are discounted at 4.94%. An allowance has been established to offset future uncollectible pledges and has been estimated by management to be \$315,000 as of June 30, 2006.

A summary of the activity in pledges receivable for the year ended June 30, 2006 is as follows:

Beginning pledges receivable	\$2,415,982
Pledges made during the year	19,244
Pledge payments received	(1,059,966)
Uncollectible Receivable	(90,000)
Decrease in discount of future payments receivable	95,450
Decrease in allowance for uncollectible pledges receivable	35,000
Total	<u>\$1,415,710</u>

Pledges receivable at June 30, 2006, are expected to be received as follows:

Year Ending June 30	
2007	\$ 930,355
2008	930,355
	<u>1,860,710</u>
Less allowance and discounts on pledges receivable	(445,000)
Total	<u>\$ 1,415,710</u>

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2006, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 36,441
Due from the State of Iowa for local option sales taxes	77,123
Due from Landsmeer Ridge for a construction advance	110,180
Due from the Sioux County Clerk of Court for local fines	714
Total Due from Other Governments	<u>\$ 224,458</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2006, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Road Use Tax Fund	\$ 29,283
General Fund	Nonmajor Governmental Funds	158,551
General Fund	Electric Fund	136,779
Sewer Fund	Nonmajor Governmental Funds	140,000
Sewer Fund	Gas Fund	132,995
Sewer Fund	Industrial Park Improvement Fund	523,328
Water Fund	Industrial Park Improvement Fund	284,407
Water Fund	Nonmajor Governmental Funds	135,000
		<u>\$ 1,540,343</u>

As of June 30, 2006 long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary Fund – Sewer	Nonmajor Governmental Funds	\$ 53,715
Proprietary Fund – Water	Nonmajor Governmental Funds	23,479
		<u>\$ 77,194</u>

Interfund receivables and payables and long-term advances are used to record negative pooled cash and to record money advanced to internally finance various projects.

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 809,448	-	-	\$ 809,448
Construction in Progress	1,463,779	\$ 1,837,184	\$ 839,407	2,461,556
Total capital assets not being depreciated	<u>2,273,227</u>	<u>1,837,184</u>	<u>839,407</u>	<u>3,271,004</u>
Capital assets being depreciated:				
Buildings	4,405,619	9,985	-	4,415,604
Improvements	1,079,236	34,889	-	1,114,125
Equipment	1,556,302	203,257	91,959	1,667,600
Infrastructure	27,590,410	869,522	-	28,459,932
Total capital assets being depreciated	<u>\$ 34,631,567</u>	<u>\$ 1,117,653</u>	<u>\$ 91,959</u>	<u>\$ 35,657,261</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 6 - CAPITAL ASSETS – (Continued)

Primary Government	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Less: Accumulated Depreciation for:				
Buildings	\$ 2,109,629	\$ 144,285	-	\$ 2,253,914
Improvements	912,015	15,504	-	927,519
Equipment	1,077,832	95,546	\$ 80,968	1,092,410
Infrastructure	18,589,977	887,269	-	19,477,246
Total Accumulated Depreciation	<u>22,689,453</u>	<u>1,142,604</u>	<u>80,968</u>	<u>23,751,089</u>
Total capital assets being depreciated, net	11,942,114	(24,951)	(10,991)	11,906,172
Governmental activities capital assets, net	<u>\$ 14,215,341</u>	<u>\$ 1,812,243</u>	<u>\$ 850,398</u>	<u>\$ 15,177,186</u>

Construction in progress at June 30, 2006, for the governmental activities consisted of costs associated with several street projects, the new industrial park, airport improvements and the new wellness center.

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 339,916	-	-	\$ 339,916
Construction in Progress	-	\$ 220,685	-	220,685
Total capital assets not being depreciated	<u>339,916</u>	<u>220,685</u>	<u>-</u>	<u>560,601</u>
Capital assets being depreciated:				
Buildings	3,307,658	-	-	3,307,658
Improvements	80,560	-	-	80,560
Equipment	2,246,215	106,827	-	2,353,042
Utility Plant	22,555,390	608,447	-	23,163,837
Total capital assets being depreciated	<u>28,189,823</u>	<u>715,274</u>	<u>-</u>	<u>28,905,097</u>
Less: Accumulated Depreciation	11,860,913	786,612	-	12,647,525
Total capital assets being depreciated, net	16,328,910	(71,338)	-	16,257,572
Business-type activities capital assets, net	<u>\$ 16,668,826</u>	<u>\$ 149,347</u>	<u>-</u>	<u>\$ 16,818,173</u>

Construction in progress at June 30, 2006 for Business-Type Activities consisted of costs associated with utility plant expansion.

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

Governmental Activities:	
Public Safety	\$ 45,960
Public Works	949,811
Culture and Recreation	134,388
General Government	12,445
Total depreciation expense – governmental activities	<u>\$ 1,142,604</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 6 - CAPITAL ASSETS – (Continued)

Business-Type Activities:

Electric	\$ 355,288
Water	206,746
Sewer	162,751
Gas	<u>61,827</u>

Total depreciation expense – business-type activities \$ 786,612

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 848,424	\$357,949	\$ 67,000	\$ 1,139,373
Construction in Progress	15,222,469	16,691,031	29,950,418	1,963,082
Total capital assets not being depreciated	<u>16,070,893</u>	<u>17,048,980</u>	<u>30,017,418</u>	<u>3,102,455</u>
Capital assets being depreciated:				
Land Improvements	329,019	1,856,257	-	2,185,276
Buildings	10,864,241	6,068,689	-	16,932,930
Fixed Equipment	3,378,212	18,358,149	-	21,736,361
Major Movable Equipment	7,275,983	3,736,786	73,250	10,939,519
Total capital assets being depreciated	<u>21,847,455</u>	<u>30,019,881</u>	<u>73,250</u>	<u>51,794,086</u>
Less: Accumulated Depreciation	11,353,701	1,467,177	73,250	12,747,628
Total capital assets being depreciated, net	<u>10,493,754</u>	<u>28,552,704</u>	<u>-</u>	<u>39,046,458</u>
Component unit capital assets, net	<u>\$ 26,564,647</u>	<u>\$ 45,601,684</u>	<u>\$30,017,418</u>	<u>\$ 42,148,913</u>

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 809,448	\$339,916	\$ 1,139,373
Construction in Progress	2,461,556	220,685	1,963,082
Capital Assets (net of accumulated depreciation)	11,906,172	16,257,572	39,046,458
Less: General Obligation Bonds Payable	4,730,000	-	-
Notes Payable	-	-	1,300,000
Revenue Bonds	-	6,910,000	23,682,732
Investment in Capital Assets, Net of Related Debt	<u>\$ 10,447,176</u>	<u>\$9,908,173</u>	<u>\$ 17,166,181</u>

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

The City issued one new bond during 2006:

On February 7, 2006, the City issued \$1,385,000 General Obligation Capital Loan Notes with interest rates ranging from 3.6% to 4.3% and an average life of 7.57 years. The bonds were sold to Ruan Securities for \$1,363,639 and the proceeds were used to finance the Puddle Jumper 3rd Addition, the fitness center and the hospital street expansion.

General obligation bonds outstanding as of June 30, 2006 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities	1.45-6.10%	\$ 7,820,000
Governmental Activities – Refunding	2.40-3.50%	340,000
		<u>\$ 8,160,000</u>

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$ 780,000	\$ 346,378	\$ 1,126,378
2008	835,000	300,869	1,135,869
2009	705,000	270,670	975,670
2010	680,000	243,482	923,482
2011	535,000	216,584	751,584
2012-2016	2,420,000	789,491	3,209,491
2017-2021	1,445,000	353,068	1,798,068
2022-2024	760,000	75,488	835,488
Total	<u>\$ 8,160,000</u>	<u>\$ 2,596,030</u>	<u>\$ 10,756,030</u>

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service.

The City issued no new revenue bonds during 2006:

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - LONG-TERM DEBT – (Continued)

Revenue bonds outstanding at June 30, 2006 are as follows:

Primary Government

Purpose	Interest Rates	Amounts
Electric Revenue Bonds	1.50-4.50%	\$ 1,885,000
Water Revenue Bonds	1.60-5.10%	2,525,000
Sewer Revenue Bonds	4.45-5.30%	1,000,000
Gas Revenue Bonds	1.75-4.80%	1,500,000
		\$ 6,910,000

Component Unit

Purpose	Interest Rates	Amounts
Hospital/Component Unit	4.80-6.00%	3,425,000
Hospital/Component Unit	4.40-5.00%	360,000
Hospital/Component Unit	5.5%	19,956,118
		\$ 23,741,118

The amount presented on the statement of Net Assets is shown net of Bond discounts of \$58,386.

Revenue bond debt service requirements to maturity are as follows:

Primary Government

Year Ending <u>June 30,</u>	Business-Type Activities					
	<u>Electric Principal</u>	<u>Water Principal</u>	<u>Sewer Principal</u>	<u>Gas Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 120,000	\$ 150,000	\$ 90,000	\$ 85,000	\$ 277,182	\$ 722,182
2008	120,000	155,000	95,000	85,000	264,520	719,520
2009	125,000	160,000	100,000	90,000	250,194	725,194
2010	130,000	105,000	105,000	90,000	234,997	664,997
2011	135,000	105,000	110,000	95,000	219,308	664,308
2012-2016	735,000	595,000	500,000	535,000	809,368	3,174,368
2017-2021	520,000	730,000		520,000	317,843	2,087,843
2022-2024		525,000			40,756	565,756
Total	\$ 1,885,000	\$ 2,525,000	\$ 1,000,000	\$ 1,500,000	\$ 2,414,168	\$ 9,324,168

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - LONG-TERM DEBT – (Continued)

Component Unit

Year Ending June 30,	Rural Economic Development Loan		Revenue Notes Payable	
	Principal	Interest	Principal	Interest
2007	\$ 18,000	\$ -	\$ 483,661	\$ 1,195,873
2008	72,000	-	530,920	1,259,482
2009	72,000	-	562,048	1,230,001
2010	72,000	-	594,086	1,198,663
2011	72,000	-	627,085	1,165,402
2012-2016	54,000	-	3,708,015	5,253,211
2017-2021	-	-	3,027,218	4,215,550
2022-2026	-	-	3,450,062	3,363,406
2027-2031	-	-	4,539,260	2,274,208
2032-2036	-	-	5,858,763	841,147
Total	360,000	-	23,381,118	21,996,943
Less unamortized discount	-	-	(58,386)	-
Total	\$ 360,000	\$ -	\$ 23,322,732	\$ 21,996,943

Advance and Current Refundings

In October 2002, the City issued \$1,655,000 in sewer revenue bonds with interest rates ranging from 2.50% to 3.30% to refund the 1992 sewer revenue bonds with interest rates ranging from 3.80% to 6.10%. The City refunded the debt to reduce its total debt service payments over the next three years by \$28,053 and to obtain an economic gain of \$9,000.

In November 2002, the City issued \$940,000 in General Obligation Capital Loan Notes with interest rates ranging from 2.40% to 3.50% to refund the 1993 General Obligation Capital Loan Notes with interest rates ranging from 2.80% to 5.60%. The City refunded the debt to reduce its total debt service payments over the next six years by \$46,921 and to obtain an economic gain of \$1,400.

In July 2004 the City issued \$295,000 in general obligation capital loan notes with interest rates ranging from 2.20% to 3.45% to refund the 1995 general obligation capital loan notes with interest rates ranging from 4.80% to 6.10%. The City refunded the debt to reduce its total debt service payments for the next 6 years by approximately \$14,000 and obtain an economic gain of \$3,000.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - LONG-TERM DEBT – (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 7,470,000	\$ 1,385,000	\$ 695,000	\$ 8,160,000	\$ 780,000
Compensated Absences	96,191	-	45,542	50,649	50,649
Governmental Activity Long-Term Liabilities	7,566,191	1,385,000	740,542	8,210,649	830,649
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	7,425,000	-	515,000	6,910,000	445,000
Compensated Absences	79,082	-	19,705	59,377	59,377
Business-Type Activity Long-Term Liabilities	7,504,082	-	534,705	6,969,377	504,377
Component Unit:					
Bonds Payable:					
Revenue Bonds	10,471,066	33,860,000	20,648,334	23,682,732	501,661
Capital Lease Obligations	11,413	-	11,413	-	-
Component Unit Long-Term Liabilities	\$ 10,482,479	\$ 33,860,000	\$ 20,659,747	\$ 23,682,732	\$ 501,661

Note 8 - NOTES PAYABLE

The Component Unit Foundation has issued a construction note payable of \$1,750,000 in order to finance the construction of a Medical Office Building. The loan is due, along with interest at 8.25%, on October 1, 2006. The note is secured by a real estate mortgage and substantially all assets of the Foundation. On October 1, 2006, this loan will be replaced with long-term financing anticipated to be approximately \$1,750,000. The United States Department of Agriculture has a conditional commitment to guarantee 80% of the subsequent loan. The balance due on the construction loan at June 30, 2006 is \$1,300,000.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 9 - TRANSFERS

The following is a summary of transfers between funds:

	General	Industrial Park Improvement	Debt Service	Nonmajor Governmental	Total Transfers Out
Road Use Tax	\$ 433,500	\$ 46,218		\$ 12,427	492,145
Local Option Sales Tax	446,727	-		-	446,727
Water	15,000	-		-	15,000
Sewer	15,000	-		-	15,000
Electric	206,004	-		90,000	296,004
Non Major Governmental	-	-	\$ 10,680	-	10,680
Total Transfers In	\$ 1,116,231	\$ 46,218	\$ 10,680	\$ 102,427	\$1,275,556

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Use unrestricted revenues collected in proprietary funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the City is required to contribute 5.75 percent of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$93,063, \$86,645, and \$85,349, respectively, equal to the required contributions for each year.

In addition, the component unit contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$697,339, \$630,569, and \$588,124, respectively, equal to the required contributions for each year.

Note 11 - MAJOR CUSTOMER

During the year ended June 30, 2006, electric, water, sewer, and gas charges for services provided by the City to Advanced Brands, Inc. were \$1,251,432, \$169,126, \$180,524 and \$1,898,320, respectively. This represents 21%, 16%, 31% and 32%, respectively, of total charges for services.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 12 - RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	<u>Inventories</u>	<u>Debt Service</u>	<u>Endowments</u>	<u>Total</u>
Special Revenue				
Road Use Tax	\$ 18,033	-	-	\$ 18,033
Debt Service	-	\$ 31,267	-	31,267
Permanent Fund				
Cemetery Perpetual Care	-	-	\$ 72,690	72,690
Total Reserves of Fund Balances	<u>\$ 18,033</u>	<u>\$ 31,267</u>	<u>\$ 72,690</u>	<u>\$ 121,990</u>

Note 13 - DEFICIT FUND EQUITY

The City has five funds with deficit equity balances at June 30, 2006. The City intends to finance these deficits from various resources including; road use tax funds, general funds, special assessments, water fund reserves, and capital project debt financing.

The individual fund deficits were as follows:

Capital Project – Downtown Streetscape	27,591
Capital Project – Airport Improvements.....	32,541
Capital Project – Industrial Park Improvements	807,735
Capital Project – 14 th Street Expansion.....	275,000
Capital Project – Highway 10 Widening	129,911

Note 14 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2005-2006 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no reductions in insurance coverage from prior years, nor were there settlements in excess of insurance coverage the last three years.

Note 15 - COMMITMENTS

During the year ended June 30, 2006, the City had entered into several construction contracts totaling approximately \$2,400,000 of which approximately \$2,225,000 has been expended to date. The remaining balance will be paid as work progresses.

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 16 - INVESTMENT IN JOINT VENTURE

The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative to the City Limits. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns a 23.93 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for by the equity method in the Electric Fund.

Summary financial information of the joint venture for the year ended December 31, 2005 follows:

	Total
Assets	\$7,733,573
Liabilities	236,375
Equity	7,497,198
	7,733,573
Revenues.....	1,006,165
Expenses	1,118,550
Net (Decrease) in Equity	\$ (113,385)

The joint venture has no outstanding debt. Separately issued financial statements for the joint venture can be obtained directly from the MBMECA administrative offices.

The City is a participant in the Orange City Communications, a joint venture for the construction and maintenance of a high-speed data internet and telecommunications system. The City owns 33.3 percent share of the venture with Northwest Rural Electric Cooperative, and Long Lines Limited, Inc. sharing equally in the ownership. Summary financial information of the joint venture for the year ended June 30, 2006 is as follows:

	Total
Assets	\$4,803,307
Liabilities	3,804,502
Equity	998,805
	4,803,307
Revenues.....	2,118,362
Expenses	1,874,470
Net (Increase) in Equity	\$ 243,892

CITY OF ORANGE CITY, IOWA
Notes to Financial Statements
June 30, 2006

Note 17 - SPECIAL ASSESSMENT DEBT OBLIGATION

The City administered the issuance of special assessment bonds in 2002 to provide funds for the Puddlejumper View Addition. The amount outstanding is \$111,000. The government is in no way liable for repayment of this debt and is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings.

Note 18 - PRIOR PERIOD ADJUSTMENT

In prior years a portion of an investment for the West Lawn Cemetery was inadvertently omitted from the financial statements. The effect was to increase the General Fund fund balance by \$68,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORANGE CITY, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL AND PROPRIETARY FUNDS - GAAP BASIS
Year Ended June 30, 2006

	Governmental Fund Type Actual	Proprietary Funds Actual
Revenue:		
Taxes	\$ 1,860,705	\$ -
Licenses and Permits	3,834	-
Intergovernmental	955,020	-
Charges for Services	296,673	11,203,454
Fines and Forfeits	25,988	-
Contributions from Property Owners	21,084	-
TIF Revenue	437,610	-
Local Option Sales Tax	527,909	-
Proceeds from Sale of Real Estate	130,265	-
Interest	41,834	126,627
Miscellaneous	286,337	37,173
Total Revenue	<u>4,587,259</u>	<u>11,367,254</u>
Expenditures:		
Public Safety	609,050	-
Public Works	777,744	-
Culture and Recreation	819,792	-
Community and Economic Development	324,054	-
General Government	452,257	-
Capital Projects	1,867,298	-
Debt Service	1,065,809	-
Business Type Activities	-	10,339,764
Total Expenditures	<u>5,916,004</u>	<u>10,339,764</u>
Excess (deficiency) of revenues over expenditures	(1,328,745)	1,027,490
Other financing sources (uses):		
Proceeds from Debt Financing	1,385,000	-
Bond Issue Costs	(22,275)	-
Interfund Transfers In	1,275,556	-
Interfund Transfers Out	(949,552)	(326,004)
Total other financing sources (uses)	<u>1,688,729</u>	<u>(326,004)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	359,984	701,486
Fund balances-beginning of year	401,803	16,962,427
Increase/(Decrease) in Reserve for Inventory	3,200	-
Fund balances- end of year	<u>\$ 764,987</u>	<u>\$ 17,663,913</u>

Orange City Municipal Hospital	Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
		Original	Final	
\$ -	\$ 1,860,705	\$ 1,992,249	\$ 1,992,249	\$ (131,544)
-	3,834	3,825	3,825	9
-	955,020	1,763,056	1,842,556	(887,536)
25,877,589	37,377,716	37,890,940	38,690,940	(1,313,224)
-	25,988	-	-	25,988
-	21,084	131,440	131,440	(110,356)
-	437,610	-	-	437,610
-	527,909	-	-	527,909
-	130,265	-	-	130,265
150,154	318,615	157,100	157,100	161,515
662,016	985,526	93,000	108,000	877,526
<u>26,689,759</u>	<u>42,644,272</u>	<u>42,031,610</u>	<u>42,926,110</u>	<u>(281,838)</u>
-	609,050	615,313	623,813	14,763
-	777,744	773,919	895,919	118,175
-	819,792	795,772	853,272	33,480
-	324,054	180,900	180,900	(143,154)
-	452,257	475,180	481,180	28,923
-	1,867,298	4,275,471	4,275,471	2,408,173
-	1,065,809	968,327	968,327	(97,482)
26,110,323	36,450,087	36,459,397	37,259,397	809,310
<u>26,110,323</u>	<u>42,366,091</u>	<u>44,544,279</u>	<u>45,538,279</u>	<u>3,172,188</u>
579,436	278,181	(2,512,669)	(2,612,169)	2,890,350
-	1,385,000	1,878,000	1,878,000	(493,000)
-	(22,275)	-	-	(22,275)
-	1,275,556	2,165,000	2,165,000	(889,444)
-	(1,275,556)	(2,165,000)	(2,165,000)	889,444
<u>-</u>	<u>1,362,725</u>	<u>1,878,000</u>	<u>1,878,000</u>	<u>(515,275)</u>
579,436	1,640,906	(634,669)	(734,169)	2,375,075
24,719,144	42,083,374	42,083,374	42,083,374	-
-	3,200	-	-	3,200
<u>\$ 25,298,580</u>	<u>\$ 43,727,480</u>	<u>\$ 41,448,705</u>	<u>\$ 41,349,205</u>	<u>\$ 2,378,275</u>

CITY OF ORANGE CITY, IOWA
Notes to Required Supplementary Information
June 30, 2006

The City's legal compliance for budget to actual comparison is specified in Chapter 384.16 of the Code of Iowa and is for expenditures by program/function. The City budgets on a modified accrual basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared on a program basis for all funds except the agency funds.

During the fiscal year 2006, the City held public hearings and amended the operating budget once. The amendment is as follows:

<u>Program</u>	<u>Original Budget</u>	<u>5/15/06 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 615,313	\$ 8,500	\$ 623,813
Public Works	773,919	122,000	895,919
Culture & Recreation	795,772	57,500	853,272
Community & Economic Development	180,900	-	180,900
General Government	475,180	6,000	481,180
Debt Service	968,327	-	968,327
Capital Projects	4,275,471	-	4,275,471
Business Type/Enterprise	36,459,397	800,000	37,259,397
Total	<u>\$ 44,544,279</u>	<u>\$ 994,000</u>	<u>\$ 45,538,279</u>

OTHER SUPPLEMENTARY INFORMATION

**CITY OF ORANGE CITY, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 JUNE 30, 2006**

	Special Revenue		Capital Projects		
	Hotel/Motel Tax	TIF	Wellness Center	14th Street Expansion	Highway 10 Widening
Assets					
Cash and Pooled Investments	\$ 49,885	\$ 4,253	\$ 203,244	\$ -	\$ -
Investments	-	125,000	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Subsequent Year Taxes	-	175,950	-	-	-
Accrued Interest	-	139	-	-	-
Total Assets	49,885	305,342	203,244	-	-
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	-	-	188,811	-	4,338
Due to Other Funds	-	-	-	275,000	125,573
Deferred Revenue - Subsequent Year Taxes	-	175,950	-	-	-
Advance from Other Funds	-	77,194	-	-	-
Total Liabilities	-	253,144	188,811	275,000	129,911
Fund Balances:					
Reserved for:					
Perpetual Care	-	-	-	-	-
Unreserved	49,885	52,198	14,433	(275,000)	(129,911)
Total Fund Balances (Deficits)	49,885	52,198	14,433	(275,000)	(129,911)
Total Liabilities and Equity	\$ 49,885	\$ 305,342	\$ 203,244	\$ -	\$ -

Capital Projects						Permanent Fund	Total Governmental
Puddlejumper 3rd Addition	Park Improvements	Hospital Street Expansion	Downtown Streetscape	Airport Improvements	Cemetery Perpetual Care Fund	Perpetual Care Fund	Nonmajor Funds
\$ -	\$ 5,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,805
-	-	-	-	-	-	72,690	197,690
-	-	-	-	-	-	-	175,950
-	-	-	-	-	-	-	139
-	5,423	-	-	-	-	72,690	636,584
-	-	-	10,816	16,338	-	-	220,303
-	-	-	16,775	16,203	-	-	433,551
-	-	-	-	-	-	-	175,950
-	-	-	-	-	-	-	77,194
-	-	-	27,591	32,541	-	-	906,998
-	-	-	-	-	-	72,690	72,690
-	5,423	-	(27,591)	(32,541)	-	-	(343,104)
-	5,423	-	(27,591)	(32,541)	72,690	-	(270,414)
\$ -	\$ 5,423	\$ -	\$ -	\$ -	\$ -	\$ 72,690	\$ 636,584

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Governmental Nonmajor Funds
YEAR ENDED JUNE 30, 2006

	Special Revenue		Capital Projects		
	Hotel/Motel Tax	TIF	Wellness Center	14th Street Expansion	Highway 10 Widening
Revenue:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 163,447	\$ -
TIF Revenue	-	176,632	-	-	-
Local Option Sales Tax	36,992	-	-	-	-
Interest on Investments	-	140	-	-	-
Miscellaneous	-	23,000	101,817	20,502	-
Total Revenue	36,992	199,772	101,817	183,949	-
Expenditures:					
Capital Projects	-	-	431,817	4,430	81,951
Debt Service:					
Principal Retirement	-	75,000	-	-	-
Interest	-	22,482	-	-	-
Total Expenditures	-	97,482	431,817	4,430	81,951
Excess (deficiency) of revenues over expenditures	36,992	102,290	(330,000)	179,519	(81,951)
Other financing sources (uses):					
Issuance of Debt	-	-	350,000	-	-
Bond Issue Costs	-	-	(5,567)	-	-
Transfers In	-	-	-	12,427	-
Transfers Out	-	-	-	-	-
Total other financing sources (uses)	-	-	344,433	12,427	-
Net Change in Fund Balance	36,992	102,290	14,433	191,946	(81,951)
Fund balances (Deficits)-beginning of year	12,893	(50,092)	-	(466,946)	(47,960)
Fund balances (Deficits)- end of year	\$ 49,885	\$ 52,198	\$ 14,433	\$ (275,000)	\$ (129,911)

Capital Projects						Permanent Fund	Total Governmental
Puddlejumper 3rd Addition	Park Improvements	Hospital Street Expansion	Downtown Streetscape	Airport Improvements	Perpetual Care Fund	Cemetery Perpetual Care Fund	Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,447
-	-	-	-	-	-	-	176,632
-	-	-	-	-	-	-	36,992
418	-	498	-	-	-	-	1,056
15,000	11,835	-	-	-	-	2,450	174,604
15,418	11,835	498	-	-	-	2,450	552,731
276,421	91,123	25,679	27,591	32,541	-	-	971,553
-	-	-	-	-	-	-	75,000
-	-	-	-	-	-	-	22,482
276,421	91,123	25,679	27,591	32,541	-	-	1,069,035
(261,003)	(79,288)	(25,181)	(27,591)	(32,541)	2,450	-	(516,304)
630,000	-	405,000	-	-	-	-	1,385,000
(10,248)	-	(6,460)	-	-	-	-	(22,275)
-	90,000	-	-	-	-	-	102,427
(9,787)	-	(893)	-	-	-	-	(10,680)
609,965	90,000	397,647	-	-	-	-	1,454,472
348,962	10,712	372,466	(27,591)	(32,541)	2,450	-	938,168
(348,962)	(5,289)	(372,466)	-	-	70,240	-	(1,208,582)
\$ -	\$ 5,423	\$ -	\$ (27,591)	\$ (32,541)	\$ 72,690	\$ -	\$ (270,414)

CITY OF ORANGE CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
Agency Funds
JUNE 30, 2006

	Puddlejumper View Addition	Payroll Clearing	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,990	\$ 21,295	\$ 25,285
Investments	125,000	-	125,000
Accrued Interest	139	-	139
Total Assets	<u>129,129</u>	<u>21,295</u>	<u>150,424</u>
LIABILITIES			
Accounts Payable	-	21,295	21,295
Due to Bond Holders	129,129	-	129,129
Total Liabilities	<u>129,129</u>	<u>21,295</u>	<u>150,424</u>
NET ASSETS			
Unrestricted	-	-	-
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ORANGE CITY, IOWA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>PUDDLEJUMPER VIEW ADDITION</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 69,788	\$ 66,202	\$ 132,000	\$ 3,990
Investments	-	125,000	-	125,000
Accrued Interest Receivable	-	139	-	139
Total Assets	<u>69,788</u>	<u>191,341</u>	<u>132,000</u>	<u>129,129</u>
<u>Liabilities</u>				
Accounts Payable				
Due to Bond Holders	69,788	191,341	132,000	129,129
Total Liabilities	<u>\$ 69,788</u>	<u>\$ 191,341</u>	<u>\$ 132,000</u>	<u>\$ 129,129</u>
 <u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 26,125	\$ 671,150	\$ 675,980	\$ 21,295
Total Assets	<u>26,125</u>	<u>671,150</u>	<u>675,980</u>	<u>21,295</u>
<u>Liabilities</u>				
Accounts Payable	26,125	671,150	675,980	21,295
Total Liabilities	<u>\$ 26,125</u>	<u>\$ 671,150</u>	<u>\$ 675,980</u>	<u>\$ 21,295</u>
 <u>ALL FIDUCIARY FUNDS TOTAL</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 95,913	\$ 737,352	\$ 807,980	\$ 25,285
Investments	-	125,000	-	125,000
Accounts Receivable	-	139	-	139
Total Assets	<u>95,913</u>	<u>862,491</u>	<u>807,980</u>	<u>150,424</u>
<u>Liabilities</u>				
Accounts Payable	26,125	671,150	675,980	21,295
Due to Bond Holders	69,788	191,341	132,000	129,129
Total Liabilities	<u>\$ 95,913</u>	<u>\$ 862,491</u>	<u>\$ 807,980</u>	<u>\$ 150,424</u>

**City of Orange City
Net Assets by Component
Last Three Fiscal Years
(accrual basis of accounting)**

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities			
Invested in capital assets, net of related debt	\$ 9,491,848	\$ 10,245,341	\$ 10,447,176
Restricted	95,709	104,647	103,957
Unrestricted	1,346,380	(3,044,617)	(2,496,606)
Total governmental activities net assets	<u>\$ 10,933,937</u>	<u>\$ 7,305,371</u>	<u>\$ 8,054,527</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 8,491,081	\$ 9,243,826	\$ 9,908,173
Restricted	-	475,895	863,131
Unrestricted	7,993,884	7,242,706	6,892,609
Total business-type activities net assets	<u>\$ 16,484,965</u>	<u>\$ 16,962,427</u>	<u>\$ 17,663,913</u>
Primary government			
Invested in capital assets, net of related debt	\$ 17,982,929	\$ 19,489,167	\$ 20,355,349
Restricted	95,709	580,542	967,088
Unrestricted	9,340,264	4,198,089	4,396,003
Total primary government net assets	<u>\$ 27,418,902</u>	<u>\$ 24,267,798</u>	<u>\$ 25,718,440</u>

Note: GASB 34 implemented in 2004 and therefore only 3 years presented.

**City of Orange City
Changes in Net Assets
Last Three Fiscal Years
(accrual basis of accounting)**

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses			
Governmental activities:			
Public Safety	\$ 648,483	571,640	615,728
Public Works	1,489,282	1,503,075	1,554,367
Culture and Recreation	1,104,755	923,700	934,012
Community and Economic Development	88,712	3,510,694	66,129
General Government	436,509	442,852	702,510
Capital Projects	299,765	-	-
Debt Service	195,476	281,582	325,456
Total governmental activities expenses	<u>4,262,982</u>	<u>7,233,543</u>	<u>4,198,202</u>
Business-Type Activities:			
Electric	\$ 3,969,124	4,360,760	4,649,895
Water	591,156	673,470	715,885
Sewer	456,873	478,203	472,866
Gas	2,887,306	3,257,135	4,501,118
Total business-type activities expenses	<u>7,904,459</u>	<u>8,769,568</u>	<u>10,339,764</u>
Total primary government expenses	<u>\$ 12,167,441</u>	<u>\$ 16,003,111</u>	<u>\$ 14,537,966</u>
Program Revenues			
Governmental activities:			
Charges for services:			
Public Safety	\$ 111,832	120,206	117,314
Public Works	154,969	202,243	321,340
Health and Social Services	4,283	-	-
Culture and Recreation	104,938	108,247	118,718
Community & Economic Development			25,635
General Government	64,542	79,788	17,416
Capital Projects		64,195	-
Operating grants and contributions	53,302	136,151	68,957
Capital grants and contributions	107,570	-	353,962
Total governmental activities program revenues	<u>601,436</u>	<u>710,830</u>	<u>1,023,342</u>
Business-type activities:			
Charges for services:			
Electric	4,536,237	4,635,959	5,151,705
Water	704,566	773,316	865,743
Sewer	721,442	533,921	556,229
Gas	3,076,476	3,332,471	4,629,777
Total business-type activities program revenues	<u>9,038,721</u>	<u>9,275,667</u>	<u>11,203,454</u>
Total primary government program revenues	<u>\$ 9,640,157</u>	<u>\$ 9,986,497</u>	<u>\$ 12,226,796</u>
Net (expense)/revenue			
Governmental activities	(3,661,546)	(6,522,713)	(3,174,860)
Business-type activities	<u>1,134,262</u>	<u>506,099</u>	<u>863,690</u>
Total primary government net expense	<u>\$ (2,527,284)</u>	<u>\$ (6,016,614)</u>	<u>\$ (2,311,170)</u>

City of Orange City
Changes in Net Assets
Last Three Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$ 1,598,367	\$ 1,617,548	\$ 2,264,411
Local option sales tax	420,939	601,573	527,909
Investment Earnings	19,059	36,154	41,833
General Intergovernmental Revenue	543,760	467,121	467,540
Miscellaneous	156,570	46,997	228,319
Transfers	<u>199,663</u>	<u>220,926</u>	<u>326,004</u>
Total governmental activities	<u>2,938,358</u>	<u>2,990,319</u>	<u>3,856,016</u>
Business-type activities			
Investment Earnings	84,953	82,711	126,627
Miscellaneous	76,445	81,406	37,173
Transfers	<u>(199,663)</u>	<u>(220,926)</u>	<u>(326,004)</u>
Total business-type activities	<u>(38,265)</u>	<u>(56,809)</u>	<u>(162,204)</u>
Total primary government	\$ 2,900,093	\$ 2,933,510	\$ 3,693,812
Change in Net Assets			
Governmental activities	\$ (723,188)	\$ (3,532,394)	\$ 681,156
Business-type activities	<u>1,095,997</u>	<u>449,290</u>	<u>701,486</u>
Total primary government	<u>\$ 372,809</u>	<u>\$ (3,083,104)</u>	<u>\$ 1,382,642</u>

Note: GASB 34 implemented in 2004 and therefore only 3 years presented.

City of Orange City
Governmental Activities Tax Revenues By Source
Last Three Fiscal Years
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Local Option Sales Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
2004	\$ 1,598,367	\$ 420,939	\$ -	\$ 2,019,306
2005	1,617,548	601,573	-	2,219,121
2006	2,264,411	490,917	36,992 ¹	2,792,320

¹ First year of tax

City of Orange City
Fund Balances of Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	<u>Fiscal Year</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund			
Reserved	-	-	-
Unreserved	<u>\$ 872,926</u>	<u>\$ 1,099,175</u>	<u>\$ 1,098,999</u>
Total General Fund	<u>\$ 872,926</u>	<u>\$ 1,099,175</u>	<u>\$ 1,098,999</u>
All other governmental funds			
Reserved	\$ 110,745	\$ 119,480	\$ 121,990
Unreserved, reported in:			
Special revenue funds	762,553	703,759	864,920
Capital project funds	<u>(592,550)</u>	<u>(1,520,611)</u>	<u>(1,252,922)</u>
Total all other governmental funds	<u>\$ 280,748</u>	<u>\$ (697,372)</u>	<u>\$ (266,012)</u>

Note: GASB 34 implemented in 2004 and therefore only 3 years presented.

City of Orange City
Changes in Fund Balances of Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues			
Taxes	\$ 1,458,609	\$ 1,609,486	\$ 1,860,705
Special Assessments	109,077	64,194	-
Licenses and permits	4,295	4,570	3,834
Intergovernmental	714,322	696,446	955,020
Charges for services	266,871	322,652	296,673
Fines and Forfeits	15,218	28,854	25,988
Contributions from Property Owners	25,219	34,793	21,084
TIF Revenue	139,758	163,965	437,610
Local Options Sales Tax	420,938	437,608	527,909
Investment Earnings	19,059	36,155	41,834
Miscellaneous	162,602	78,438	416,602
Total revenues	<u>\$ 3,335,968</u>	<u>\$ 3,477,161</u>	<u>\$ 4,587,259</u>
Expenditures			
Public safety	613,755	536,420	609,050
Public works	632,850	616,102	777,744
Culture and recreation	1,021,654	798,874	819,792
Community and economic development	88,712	57,082	63,075
General government	430,926	413,772	713,236
Capital projects	716,091	5,048,122	1,867,298
Debt service			
Principal	460,000	780,000	695,000
Interest	193,759	266,210	370,809
Total expenditures	<u>4,157,747</u>	<u>8,516,582</u>	<u>5,916,004</u>
Excess of revenues over (under) expenditures	(821,779)	(5,039,421)	(1,328,745)
Other financing sources (uses)			
Issuance of Debt	705,000	4,095,000	1,385,000
Bond Issue Costs			(22,275)
Transfers In	1,130,113	1,133,175	1,275,556
Transfers Out	(930,450)	(912,249)	(949,552)
Total other financing sources (uses)	<u>904,663</u>	<u>4,315,926</u>	<u>1,688,729</u>
Net change in fund balances	<u>\$ 82,884</u>	<u>\$ (723,495)</u>	<u>\$ 359,984</u>

Note: GASB 34 implemented in 2004 and therefore only 3 years presented.

City of Orange City
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property		Utilities		Total		Assessed Value as a Percentage of Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1997	\$ 98,741,889	\$ 145,059,999	\$ 991,915	\$ 991,915	\$ 99,733,804	\$ 146,051,914	68.29%
1998	100,186,974	148,270,270	1,124,292	1,124,292	101,311,266	149,394,562	67.81%
1999	101,038,194	158,694,012	1,063,653	1,063,653	102,101,847	159,757,665	63.91%
2000	104,685,474	160,812,584	998,026	998,026	105,683,500	161,810,610	65.31%
2001	106,177,613	167,587,570	386,645	386,645	106,564,258	167,974,215	63.44%
2002	111,996,353	172,401,657	345,740	345,740	112,342,093	172,747,397	65.03%
2003	114,153,308	187,368,989	405,828	405,828	114,559,136	187,774,817	61.01%
2004	121,880,002	197,777,207	457,062	457,062	122,337,064	198,234,269	61.71%
2005	133,223,718	213,808,393	446,521	446,521	133,670,239	214,254,914	62.39%
2006	135,062,294	218,543,204	2,881,675	2,881,675	137,943,969	221,424,879	62.30%

**City of Orange City
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	City of Orange City				Overlapping Rates							Total Direct & Overlapping Rates	
	Debt			Total City Millage	Sioux County			MOC-FV School District					Area Vocational School
	Operating Millage	Service Millage	Total City Millage		Operating Millage	Service Millage	Debt Service Millage	Operating Millage	Service Millage	Total City Millage			
1997	\$ 7.94928	\$ 3.53926	\$ 11.48854	\$ 3.05065	\$ 3.05065	\$ 9.80821	\$ 2.09627	\$ 11.90448	\$ 0.49625	\$ 26.93992			
1998	7.3757	3.6142	10.9899	2.89956	2.89956	10.49429	2.25356	12.74785	0.49080	27.1281			
1999	7.5141	3.3523	10.8664	3.08408	3.08408	10.83784	1.94759	12.78543	0.47864	27.2146			
2000	7.5093	4.1129	11.6222	3.53387	3.53387	10.64710	1.83126	12.47836	0.48192	28.1164			
2001	7.6257	3.9763	11.6019	3.53287	3.53287	10.60836	1.78347	12.39183	0.52226	28.0489			
2002	7.7004	4.0786	11.7790	3.51674	3.51674	10.45557	1.69767	12.15324	0.53380	27.9828			
2003	7.6933	4.3529	12.0462	3.51512	3.93682	10.99933	1.60667	12.60600	0.54774	29.1368			
2004	7.7702	4.5524	12.3226	4.41586	4.64743	11.26700	1.51623	12.78323	0.65433	30.4076			
2005	8.1585	5.0902	13.2486	5.06682	5.06682	12.40268	1.68975	14.09243	0.58447	32.9924			
2006	7.7024	7.0606	14.7630	5.94423	6.14423	12.42950	0.35027	12.77977	0.58365	34.2707			

Taxes due July 1

Taxes delinquent first half - October 1; second half - April 1.

Penalties for delinquency: 1.5 percent per month.

Discount allowed: none

Uncollected taxes handled as follows: delinquent real estate tax list published in newspaper prior to May 16.

Taxes collected by Sioux County and distributed to the City of Orange City in proportion of its levy to all levies.

Tax sale date: first Monday in June.

**City of Orange City
Principal Property Taxpayers
June 30, 2006**

<u>Taxpayer</u>	<u>2006</u>			<u>1997</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Vogel Enterprises Inc.	8,882,303	1	7.75%	2,510,103	3	2.52%
American Identity Inc.	7,859,280	2	6.86%	10,262,122	1	10.29%
Advanced Brands LLC	3,541,440	3	3.09%	4,800,011	2	4.81%
Midwest Farmers Coop	1,637,774	4	1.43%	1,213,920	4	1.22%
Krull Ltd	1,532,079	5	1.34%	-	-	0.00%
Iowa State Bank	1,434,535	6	1.25%	-	-	0.00%
North West Rural Electric	1,421,292	7	1.24%	-	-	0.00%
Revival Animal Health	1,151,380	8	1.01%	-	-	0.00%
Northwestern State Bank	897,365	9	0.78%	738,332	5	0.74%
South Town Real Estate	871,180	10	0.76%	-	-	0.00%
Kraai Furniture	-	-	0.00%	566,563	6	0.57%
Kepp Realty	-	-	0.00%	505,174	7	0.51%
Frontier Telephone Co	-	-	0.00%	475,383	8	0.48%
Mid American Energy	-	-	0.00%	468,895	9	0.47%
Orange Colony Investors	-	-	0.00%	464,889	10	0.47%
Totals	\$ 29,228,628		25.51%	\$ 22,005,392		22.06%

**City of Orange City
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	1,147,991	1,137,153	99.06%	-	1,137,153	99.06%
1998	1,113,402	1,123,646	100.92%	-	1,123,646	100.92%
1999	1,110,343	1,120,959	100.96%	-	1,120,959	100.96%
2000	1,226,920	1,245,319	101.50%	-	1,245,319	101.50%
2001	1,255,218	1,289,639	102.74%	-	1,289,639	102.74%
2002	1,360,160	1,428,917	105.06%	-	1,428,917	105.06%
2003	1,438,760	1,467,196	101.98%	-	1,467,196	101.98%
2004	1,578,960	1,531,410	96.99%	-	1,531,410	96.99%
2005	1,574,394	1,609,486	102.23%	-	1,609,486	102.23%
2006	1,858,206	1,860,705	100.13%	-	1,860,705	100.13%

City of Orange City
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities				Total	
	General Obligation Bonds	Electric Bonds	Water Bonds	Sewer Bonds	Gas Bonds	Government	Per Capita	
1997	\$ 2,845,000	\$ 2,640,000	\$ 1,355,000	\$ 1,270,000	\$ -	\$ 8,110,000	\$ 1,642	
1998	2,610,000	1,375,000	1,270,000	1,150,000	-	6,405,000	1,297	
1999	2,925,000	1,120,000	1,180,000	1,030,000	-	6,255,000	1,266	
2000	2,915,000	860,000	1,085,000	905,000	-	5,765,000	1,167	
2001	2,905,000	585,000	985,000	775,000	-	5,250,000	939	
2002	3,105,000	300,000	880,000	1,640,000	-	5,925,000	1,060	
2003	3,910,000	-	775,000	1,500,000	-	6,185,000	1,107	
2004	4,155,000	2,120,000	2,810,000	1,340,000	1,660,000	12,085,000	2,162	
2005	7,470,000	2,005,000	2,670,000	1,170,000	1,580,000	14,895,000	2,665	
2006	8,160,000	1,885,000	2,525,000	1,000,000	1,500,000	15,070,000	2,696	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

City of Orange City
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
1997	\$ 2,845,000	\$ 58,520	\$ 2,786,480	1.91	\$ 564.06
1998	2,610,000	66,147	2,543,853	1.70	514.95
1999	2,925,000	39,582	2,885,418	1.81	584.09
2000	2,915,000	43,236	2,871,764	1.77	581.33
2001	2,905,000	52,136	2,852,864	1.7	510.44
2002	3,105,000	69,792	3,035,208	1.76	543.07
2003	3,910,000	86,413	3,823,587	2.04	684.13
2004	4,155,000	51,637	4,103,363	2.07	734.19
2005	7,470,000	34,407	7,435,593	3.47	1,330.40
2006	8,160,000	31,267	8,128,733	3.67	1,454.42

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Population data can be found in the Schedule of Demographic and Economic Statistics.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

**City of Orange City
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: School District	\$ 540,500	64.64%	<u>\$ 349,379</u>
Subtotal, overlapping debt			349,379
City of Orange City direct debt			<u>8,190,000</u>
Total direct and overlapping debt			<u>\$ 8,539,379</u>

Sources: Debt outstanding data provided by the school.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Orange City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

1 The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

City of Orange City
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 7,302,596	\$ 7,469,728	\$ 7,987,843	\$ 8,106,089	\$ 8,414,337	\$ 8,654,875	\$ 9,425,888	\$ 9,882,991	\$ 10,712,746	\$ 11,071,244
Total net debt applicable to limit	2,786,480	2,543,853	2,885,418	2,861,764	2,852,864	3,035,208	3,823,587	4,127,291	7,435,593	8,128,733
Legal debt margin	<u>\$ 4,516,116</u>	<u>\$ 4,925,875</u>	<u>\$ 5,102,425</u>	<u>\$ 5,244,325</u>	<u>\$ 5,561,473</u>	<u>\$ 5,619,667</u>	<u>\$ 5,602,301</u>	<u>\$ 5,755,700</u>	<u>\$ 3,277,153</u>	<u>\$ 2,942,511</u>
Total net debt applicable to the limit as a percentage of debt limit							46.28%	69.41%	69.41%	73.42%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 218,543,204
Add back: exempt real property	\$ 2,881,675
Total assessed value	<u>\$ 221,424,879</u>
Debt limit (5% of total assessed value)	11,071,244
Debt applicable to limit:	
General obligation bonds	8,160,000
Less: Amount set aside for repayment of general obligation debt	<u>(31,267)</u>
Total net debt applicable to limit	<u>8,128,733</u>
Legal debt margin	<u>\$ 2,942,511</u>

Note: Under state finance law, the City of Orange City's outstanding general obligation debt should not exceed 5 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**City of Orange City
Pledged-Revenue Coverage
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Electric Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1997	\$ 3,338,646	\$ 2,390,793	\$ 947,853	\$ 205,000	\$ 162,534	2.58
1998	3,332,699	2,459,694	873,005	220,000	99,067	2.74
1999	3,338,937	2,443,695	895,242	255,000	55,263	2.89
2000	3,635,445	2,850,215	785,230	260,000	42,388	2.60
2001	3,876,350	3,032,551	843,799	275,000	31,149	2.76
2002	4,015,734	3,217,049	798,685	285,000	21,933	2.60
2003	4,331,927	3,387,989	943,938	300,000	6,360	3.08
2004	4,610,432	3,548,978	1,061,454	-	54,302	19.55
2005	4,664,357	3,673,367	990,990	115,000	71,539	5.31
2006	5,198,997	4,119,213	1,079,784	120,000	69,598	5.70

<u>Fiscal Year</u>	<u>Water Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1997	\$ 567,736	\$ 185,774	\$ 381,962	\$ 85,000	\$ 66,665	2.52
1998	593,859	245,608	348,251	85,000	62,616	2.36
1999	588,751	388,558	200,193	90,000	58,351	1.35
2000	704,782	317,028	387,754	95,000	53,755	2.61
2001	644,716	391,896	252,820	100,000	49,271	1.69
2002	669,022	379,238	289,784	105,000	44,129	1.94
2003	698,186	367,933	330,253	105,000	39,129	2.29
2004	739,503	344,796	394,707	115,000	18,655	2.95
2005	791,769	365,148	426,621	140,000	106,136	1.73
2006	899,840	403,089	496,751	145,000	103,638	2.00

**City of Orange City
Pledged-Revenue Coverage
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1997	\$ 484,749	\$ 104,605	\$ 380,144	\$ 120,000	\$ 77,892	1.92
1998	469,749	141,239	328,510	120,000	72,107	1.71
1999	466,349	186,786	279,563	120,000	66,069	1.50
2000	514,048	267,632	246,416	125,000	58,390	1.34
2001	534,232	193,088	341,144	130,000	51,890	1.88
2002	639,941	201,980	437,961	135,000	87,819	1.97
2003	644,207	238,419	405,788	155,000	81,103	1.72
2004	768,692	224,702	543,990	160,000	64,438	2.42
2005	564,290	247,456	316,834	170,000	60,038	1.38
2006	593,671	253,267	340,404	170,000	54,853	1.51

<u>Fiscal Year</u>	<u>Gas Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1997	\$ -	\$ -	\$ -	\$ -	\$ -	
1998	-	-	-	-	-	
1999	-	-	-	-	-	
2000	-	-	-	-	-	
2001	-	-	-	-	-	
2002	-	-	-	-	-	
2003	2,432,713	2,180,805	251,908	-	46,133	5.46
2004	3,079,659	2,746,305	333,354	115,000	84,730	1.67
2005	3,337,962	3,124,186	213,776	80,000	71,455	1.41
2006	4,637,573	4,368,962	268,611	80,000	61,898	1.89

City of Orange City
Principal Employers
June 30, 2006

<u>Employer</u>	<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Advanced Brands	600	1	10.74%
American Identity	350	4	6.26%
Diamond Vogel Paints	375	3	6.71%
EZ Liner Industrial	50	8	0.89%
Med-Tec Inc.	100	6	1.79%
Northwestern College	187	5	3.35%
Orange City Health System	460	2	8.23%
Revival Animal Health	60	7	1.07%
Silent Drive	40	9	0.72%
Tec Industries/Quatro	30	10	0.54%
Total	2,252		40.29%

Note: Comparative data for nine years ago not currently available.

City of Orange City
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	7	7	8	8	9	9	9	9	9	9
Public Safety										
Police Officers	5	6	6	6	7	7	7	7	7	7
Highways and streets	3	3	3	3	3	3	3	3	3	3
Culture and recreation	2	2	2	2	2	2	2	2	2	2
Library	5	5	5	5	5	5	5	5	5	5
Electric	5	5	5	5	5	5	5	5	5	5
Water	2	2	2	2	2	2	2	2	2	2
Sewer	1	1	1	1	1	1	1	1	1	1
Gas	0	0	1	2	2	2	2	2	2	2
Total	30	31	33	34	36	36	36	36	36	36

**City of Orange City
Operating Indicators by Function/Program
June 30, 2006**

<u>Function/Program</u>	<u>2006</u>
General Government	
Building Permits Issued	106
Police	
Physical Arrests	96
Parking Violations	246
Traffic Violations	373
Fire	
Emergency Responses	48
Fires Extinguished	13
Refuse Collection	
Refuse collected (tons per day)	8
Recyclables collected (tons per day)	0.6
Parks & Recreation	
Pool Passes Issued (Budget Pass)	205
Pool Passes Issued (Individual Pass)	88
Pool Passes Issued (Family Pass)	250
Pool Passes Issued (Senior Pass)	11
Library	
Volumes in collection	63,895
Total volumes borrowed	228,650
Water	
New connections	28
Water main breaks	2
Average daily consumption (thousands of gallons)	1,005
Peak daily consumption (thousands of gallons)	1,900
Wastewater	
Average daily sewage treatment (thousands of gallons)	1,000

Sources: Various city departments.

**City of Orange City
Capital Asset Statistics by Function/Program
June 30, 2006**

<u>Function/Program</u>	<u>2006</u>
Police	
Stations	1
Patrol Units	4
Fire Station	1
Other Public Works	
Streets (miles)	46
Streetlights	958
Traffic Signals	2
Parks and recreation	
Aceage	223
Playgrounds	4
Baseball/softball diamonds	2
Soccer/football fields	4
Community Center	1
Water	
Water Mains (miles)	45
Fire Hydrants	275
Storage capacity (thousands of gallons)	950
Wastewater	
Sanitary Sewers (miles)	41
Storm Sewer (miles)	19
Treatment capacity (thousands of gallons)	3,000

Sources: Various city departments

City of Orange City Demographic and Economic Statistics Last Calendar Year

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	5582	97,215	17,413	27.9	13	999	2.6%

Sources: Population, median age, and educational level information provided by the United States Census Bureau. School enrollment data provided by the Orange City school districts.

Note: Personal Income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Orange City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA as of and for the year ended June 30, 2006, which collectively comprise the City of Orange City, Iowa's basic financial statements, and have issued our report thereon dated September 8, 2006. We did not audit the financial statements of the Orange City Municipal Hospital, a discretely presented component unit, which statements reflect total assets of \$53,801,494 and total operating revenues of \$25,877,589 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for the Orange City Municipal Hospital, was based solely on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

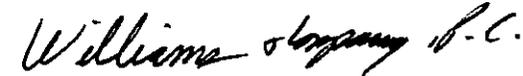
In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.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

the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all matters in the internal control that are also considered to be material weaknesses. A material weakness is a 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 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.


Certified Public Accountants

September 8, 2006
Le Mars, Iowa

CITY OF ORANGE CITY, IOWA
Schedule of Findings
Year Ended June 30, 2006

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Reportable Conditions and Instances of Non-Compliance:

None in current year.

There were no prior year findings or instances of non-compliance.

Part III: Other Findings Related to Required Statutory Reporting

III-A-06 - Certified Budget – City expenditures during the year ended June 30, 2006, exceeded amounts budgeted in the debt service, and community and economic development functions.

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

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

Conclusion – Response accepted.

III-B-06 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-C-06 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

III-D-06 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

III-E-06 - Questionable Expenditures - We noted no questionable expenditures during our audit.

CITY OF ORANGE CITY, IOWA
Schedule of Findings
Year Ended June 30, 2006

Part III: Other Findings Related to Required Statutory Reporting – (Continued)

- III-F-06 Revenue Bonds - No violations of revenue bond resolutions were noted.
- III-G-06 Business Transactions – There were no business transactions between the City and City officials or employees during the year ended June 30, 2006.
- III-H-06 Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.