CITY OF TAMA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
June 30, 2006

TABLE OF CONTENTS

	Exhibit	Page
OFFICIALS		3
INDEPENDENT AUDITOR'S REPORT		5-6
MANAGEMENT'S DISCUSSION AND ANALYSIS		7-13
BASIC FINANCIAL STATEMENTS:	**Exhibit**	
Government-wide Financial Statement:		
Statement of Activities and Net Assets - Cash Basis	A	15-18
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	B	19-22
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	C	23-26
Notes to Financial Statements		27-35
REQUIRED SUPPLEMENTARY INFORMATION:		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		37-38
Notes to Required Supplementary Information - Budgetary Reporting		39
OTHER SUPPLEMENTARY INFORMATION:	**Schedule**	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds	1	41-44
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Enterprise Funds	2	45
Schedule of Indebtedness	3	46-47
Bond and Note Maturities	4	48-49
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	5	50
Schedule of Sewer Service Charges	6	51
Schedule of Insurance in Force	7	52-53
Schedule of Legal Debt Margin	8	54
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*		55-56
SCHEDULE OF FINDINGS		57-59
STAFF		60

CITY OF TAMA

Officials

Name	Title	Term Expires
Chris Bearden	Mayor	January 2008
Robert Tyynismaa	Council Member	January 2008
Don Rank	Council Member	January 2010
Steve Baier	Council Member	January 2008
Dan Zimmerman	Council Member	January 2010
Earl Rutledge	Council Member	January 2008
Judy Welch	City Clerk	Indefinite
Dan Rathjen	City Attorney	Indefinite

CITY OF TAMA

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Tama, 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 Tama, Iowa, as of and for the year ended June 30, 2006. These financial statements are the responsibility of the City of Tama's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2006, on our consideration of the City of Tama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Offices in 15 states and Washington, DC

Member of HLB International

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Tama's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2005, 2004, and 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned basic financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
September 21, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tama provides this Management's Discussion and Analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements and notes that follow. It should be also noted that the information contained here would provide information on both the governmental operations and the business type activities of the City.

2006 FINANCIAL HIGHLIGHTS

- FY 2006 revenues decreased by 61% as the city did not sell any bonds as we had done in FY 2005.
- Overall total disbursements decreased by 24% or $878,320 in FY 2006 from FY 2005. No significant increases in expenses were found, the minor increases will be explained in the financial analysis section of this report. The decrease in disbursements occurred due to the construction completion of the aquatic center in FY 2005.
- The City's total cash basis net assets decreased 13.18% or approximately $417,436 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately $416,814 or 15% and the assets of the business type activities decreased $622 or .001%.
- The City of Tama's Downtown Revitalization Program helped seven businesses with either loans or grants. The Revitalization Committee helped bring in a future ethanol plant that should start construction in FY 2007.
- The City acquired land for future economic development.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tells how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

1. Governmental Activities include Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax, State and Federal grants, investment interest and charges for services finance most of these activities.

2. Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds which includes Road Use Tax; Urban Renewal Tax Increment and Trust and Agency, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

   The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered two major funds. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond Fund.

The required financial statements for the proprietary funds included a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	2006	2005
Receipts:		
General receipts:		
Property tax	$ 700,983	$ 641,617
Tax increment financing	584	30,210
Other city tax	25,544	25,860
Local option tax	137,896	131,204
Investment earnings	86,257	115,947
Other general receipts	23,517	54,638
Charges for services	248,192	223,582
Operating grants, contributions	345,656	325,493
Capital grants, contributions and restricted interest	62,272	170,460
Other financing sources	56,252	1,520,695
Total receipts	1,687,153	3,239,706
Disbursements:		
Public safety	621,918	593,193
Public works	407,346	386,834
Health and social services	3,439	4,089
Culture and recreation	195,941	169,609
Community and economic development	24,990	22,277
General government	130,434	127,852
Debt service	249,958	186,362
Capital projects	469,942	1,460,820
Total disbursements	2,103,968	2,951,036
Increase (decrease) in cash basis net assets	(416,815)	288,670
Cash basis net assets, beginning of year	3,194,029	2,905,358
Cash basis net assets, end of year	$ 2,777,214	$ 3,194,028

**Note these figures do not include transfers

The City's total receipts for governmental activities decreased by 9.4%, $170,023 from FY 2005 to FY 2006. In FY 2005 the city received proceeds from a bond issue for the aquatic center in the amount of $1,438,255. This amount was not figured in the decreased amount of revenue formula. Increased revenue of 8% in the General Fund for 2006 came from property tax revenue and back payments from fire and ambulance protection from outside sources. Employee Benefits increased by 19.5%. However, major decreases in revenue from Capital Project funds dropped the overall revenue for governmental activities. In FY 2005 the city received grant funds for a Bureau of Indian Affairs fire truck, Community Attraction and Tourism Funds for the aquatic center and increased interest returns. FY 2006 grant revenues and a flux of interest were not experienced. After reviewing the revenues from FY 2004 through FY 2006 and removing grants that may be available one year and not the next, the City has stayed fairly steady with revenue income.

The total disbursement cost of all programs and services for governmental activities decreased by 40% or $847,068 from the FY 2005 disbursements. This decrease was due to construction of the new aquatic center in capital projects and a new fire truck and fire gear in public safety for FY 2005. Noted there is an increase in expenditures in Public Safety for increased on-call ambulance expenses; Culture and Recreation for the operation of the aquatic center; and Debt Service for the payments of bonds and interest for the aquatic center.

The ending cash balances for FY 2006 for governmental activities indicates a decrease in cash balances of $416,815 or 15%. The additional expenditures as explained in the proceeding paragraph and no substantial grants or interest revenue proved to decrease the ending cash balance. No major projects were initiated this fiscal year.

The City increased property taxes by $.49 for FY 2006 or 4%. Taxable Valuation increased by approximately $1.7 million from the previous year. The added taxable valuation based from higher re-assessed values of property assisted in preventing an even higher increase in tax askings. The increase in employee benefits and the state rollback for FY 2006 (assessed limitation of residential property at 47.96%) proved to be the reason for increased taxes.

Changes in Cash Basis Net Assets of Business Type Activities

	2006	2005
Receipts:		
Program receipts:		
Charges for services:		
Water	$ 232,166	$ 222,863
Sewer	166,086	169,935
Sewer revenue bond	147,384	147,626
Nonmajor enterprise funds	50,016	50,016
Operating grants, contributions, interest	12,445	12,949
Other general receipts	30,599	56,420
Total receipts	638,696	659,809
Disbursements:		
Water	269,440	231,997
Sewer	369,878	438,572
Total disbursements	639,318	670,569
Decrease in cash balance	622	10,760
Cash basis net assets, beginning of year	389,945	400,705
Cash basis net assets, end of year	$ 389,323	$ 389,945

The business type revenue activities for FY 2006 were $638,696 compared to $659,809 in FY 2005. This decrease in revenue of $21,113 is due to a drop in metered sales of water and wastewater. Even with a 2% increase in water rates the water revenue dropped slightly over $1,000. Wastewater metered sales dropped by $20,000. There is no one direct cause for the lower metered sales. Disbursements in FY 2005 totaled $670,569 where the disbursements for FY 2006 were $639,318, a decrease of $31,251. This decrease is primarily due to no large projects expended in the Sewer Replacement Fund or the Sewer Rehabilitation Fund. The refinancing of the state revolving fund loan will decrease the interest needed to pay the bonds, which will help additional revenue be available to avoid increasing the sewer rates.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tama completed the year, its governmental funds reported a combined fund balance of $2,777,214, a decrease of $416,815 from FY 2005 balance of $3,194,029. The following are the major reasons for the changes in fund balances of major funds.

The General Fund cash balance decreased in ending balances by $25,346. FY 2005 - $285,291; FY 2006 - $259,945. The decrease is due to increased expenses in on-call pay to the ambulance volunteers and outside ambulance billing services that were established in FY 2005. The increase in donation for operating expenses to the aquatic center and expenses to support a recreation also contributed to the increased expenses with no additional revenue supporting the increased spending. Ambulance revenue had increased in FY 2005, which lead to the on-call pay for FY 2006. Interest was used from the Pack funds to help support the general fund budget by $47,000.

Employee Benefits Cash Fund indicated an increase of 19.5% in revenue this past year. This is due to a carry over cash balance, which the city used to ask for $.43 less in FY 2005. In FY 2006 the city asked for the whole amount necessary for employee benefits in the tax levy. Due to the significant increase and finding there was a carry over from FY 2005, the city decreased their tax askings in FY 2007.

The Capital Project Cash Funds include cash balances from Capital Projects, Capital Projects - Community Development, Meat Pack Funds, Downtown Revitalization and the Aquatic Center Fund. FY 2005 - $2,551,970; FY 2006 - $2,155,817, a decrease of $396,153. The decrease in cash balances is due to the tuck pointing of the civic center, engineering of a major street project for FY 2007, loans and grants for the downtown revitalization projects and final payments to the construction of the aquatic center.

INDIVIDUAL MAJOR BUSINESS TYPE ANALYSIS

The Water Fund cash balances decreased in ending balances from the previous year. FY 2005 - $112,635 and FY 2006 - $109,136, a decrease of $3,499. There were no major purchases or capital improvements completed this year in the water department. A decrease in metered sales was a minor reason for the slight decreases in cash balances. The Water Fund supports the contracting of water services with Veolia Water the city contract decreased $2,613 for FY 2006.

The Sewer Fund cash balances demonstrated an increase in cash balances in the amount of $18,318. The city contracts the sewer services with Veolia Water and their contract service agreement for the year increased $6,667. As explained in a previous paragraph revenues were down in FY 2006, however, due to the refinancing of the interest and the releasing of the sinking funds for the State Revolving Fund loan it provided additional funds that were transferred from the Sewer Revenue Bond cash balance to the Sewer cash balance fund. Sewer Rehabilitation Fund cash balances increased $15,544 this is due to no major rehabilitation projects for FY 2006. No major sewer equipment was replaced in FY 2006 providing an increase in cash for the Sewer Replacement Fund by $11,670. Each year $25,000 is deposited into the Sewer Rehabilitation Fund and $25,000 to the Sewer Replacement Fund to support major projects as needed. Revenue is generated from the sewer charges.

BUDGETARY HIGHLIGHTS

During FY 2006 the city amended the budget twice. September 6, 2005 the City amended the budget to increase expenditures for on-call pay for ambulance volunteers, downtown revitalization projects, park improvements, fire equipment and aquatic pool expenses and increase revenues due to grants. Total increased expenditures - $379,000 and total increased revenues - $8,000. The second amendment was approved February 6, 2006 increasing revenues by $31,800 and expenses by $65,542. Revenues were increased due to grants, ambulance collections and interest from loans. Expense increases from additional on-call pay for ambulance volunteers, police equipment, skateboard park, aquatic expenses and economic development projects.

DEBT ADMINISTRATION

As of June 30, 2006, the City of Tama had $2,387,000 in outstanding debt compared to $2,667,000 at the end of June of 2005. Monies generated from local option taxes will pay for the Aquatic Bond Issues. The Flood Control Bond issues were paid in full as of June 30, 2006. The city is in the first stages of engineering a major street project and water well project. In FY 2007 the city intends to bond for such projects in order to keep the debt levy at the current rate and provide improvements to the city. The Sewer Revenue Bond will continue until June of 2014.

	Outstanding Debt As Of:		
	6/30/04	6/30/05	6/30/06
Flood control $515,000, issued March 1993	$ 115,000	$ 60,000	$ -
Flood control $575,000, issued March 1991	135,000	70,000	-
Sewer revenue bond $1,784,000, issued December 1995	1,168,000	1,072,000	972,000
2004 A - Aquatic Bond $1,165,000, issued August 1, 2004	-	1,165,000	1,125,000
2004 B - Aquatic Bond $300,000, issued August 1, 2004	-	300,000	290,000
Totals	$ 1,418,000	$ 2,667,000	$ 2,387,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $1,415,000 is significantly below it constitutional debit limit of $3,840,437.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Council set aside $250,000 of the proceeds from the sale of the meat packing plant owned by the city to be used for Downtown Revitalization. FY 2006 the Council approved $60,000 worth of loan funds to three businesses and $14,954 of grant funds for interior and exterior improvements to four businesses. The City purchased a building for $10,000 in order to demolish the building in FY 2007. The City hired a consultant, which helped form a business committee to welcome prospective businesses to Tama. This was a worthwhile endeavor as an ethanol plant business has purchased land in the city limits in order to construct a new ethanol plant. The City should see some construction in FY 2007.

In FY 2004 the city opened two new streets and approximately 30 new housing lots. Ten new homes have been built in FY 2005 and now in FY 2006 seven more homes. These homes receive tax abatement for three years for the first $75,000 of improved property valuation. The City acquired approximately 177 acres of land from the local paperboard plant. Some of the land is tillable, wooded, and one area is a lake that was used many years ago as a swimming area for the local citizens. Ideas of how to use this land are being discussed with visions for economic development in the near future.

The City also provided land to the local ATV Club, which is recognized by the State for a recreation area for off highway vehicles. Local volunteers promote the park to bring in out of town visitors.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any question about this report or need additional financial information contact the Tama City Clerk, Judy Welch, 305 Siegel Street, Tama, Iowa 52339.

BASIC FINANCIAL STATEMENTS

CITY OF TAMA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Charges for Services
FUNCTIONS/PROGRAMS:		
Governmental activities:		
Public safety	$ 621,918	$ 189,251
Public works	407,346	19,571
Health and social services	3,439	-
Culture and recreation	195,941	15,521
Community and economic development	24,990	-
General government	130,434	23,849
Debt service	249,958	-
Capital Projects	469,942	-
Total governmental activities	2,103,968	248,192
Business type activities:		
Water	269,440	262,765
Sewer	369,878	363,487
Total business type activities	639,318	626,251
Total	2,743,286	874,443
GENERAL RECEIPTS:		
Property Taxes levied for:		
General purposes		
Employee benefits		
Tax increment financing		
Debt service		
Other city tax		
Local option sales tax		
Grants and contributions not restricted to specific purpose		
Unrestricted interest on investments		
Miscellaneous		
Sale of assets		
Total general receipts		

Program Receipts		Net (Disbursements) Receipts and Change in Cash Basis Net Assets		
Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
$ 102,355	$ -	$ (330,312)	$ -	$ (330,312)
231,066	-	(156,709)	-	(156,709)
-	-	(3,439)	-	(3,439)
12,192	-	(168,227)	-	(168,227)
-	-	(24,990)	-	(24,990)
43	-	(106,542)	-	(106,542)
-	-	(249,958)	-	(249,958)
-	62,272	(407,670)	-	(407,670)
345,656	62,272	(1,447,848)	-	(1,447,848)
3,176	-	-	(3,500)	(3,500)
9,269	-	-	2,878	2,878
12,445	-	-	(622)	(622)
358,101	62,272	(1,447,848)	(622)	(1,448,470)
		415,548	-	415,548
		165,708	-	165,708
		584	-	584
		119,727	-	119,727
		25,544	-	25,544
		137,896	-	137,896
		23,517	-	23,517
		86,257	-	86,257
		527	-	527
		55,725	-	55,725
		1,031,033	-	1,031,033

(continued)

CITY OF TAMA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Charges for Services
CHANGE IN CASH BASIS NET ASSETS		
CASH BASIS NET ASSETS, BEGINNING		
CASH BASIS NET ASSETS, ENDING		
CASH BASIS NET ASSETS:		
Restricted:		
Streets		
Urban renewal purposes		
Debt service		
Other purposes		
Unrestricted		
TOTAL CASH BASIS NET ASSETS		

Program Receipts		Net (Disbursements) Receipts and Change in Cash Basis Net Assets		
Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
		(416,815)	(622)	(417,436)
		3,194,029	389,945	3,583,974
		$ 2,777,214	$ 389,323	$ 3,166,538
		$ 179,377	$ -	$ 179,377
		-	-	-
		15,762	233,607	249,369
		-	-	-
		2,582,075	155,716	2,737,791
		$ 2,777,214	$ 389,323	$ 3,166,537

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF TAMA

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Governmental Funds

As of and for the year ended June 30, 2006

	General	Special Revenue: Road Use Tax	Debt Service
RECEIPTS:			
Property tax	$ 415,548	$ -	$ 119,727
Tax increment financing collections	-	-	-
Other city tax	15,117	-	4,368
Licenses and permits	18,908	-	-
Use of money and property	59,521	-	14,000
Intergovernmental	89,902	228,654	-
Charges for services	205,122	-	-
Miscellaneous	41,470	-	-
Total receipts	845,588	228,654	138,095
DISBURSEMENTS:			
Operating:			
Public safety	610,297	-	-
Public works	175,010	232,336	-
Health and social services	3,439	-	-
Culture and recreation	185,786	-	-
Community and economic development	24,990	-	-
General government	129,928	-	-
Debt service	-	-	249,958
Capital Projects	-	-	-
Total disbursements	1,129,450	232,336	249,958
Excess (deficiency) of receipts over (under) disbursements	(283,862)	(3,682)	(111,863)
OTHER FINANCING SOURCES (USES):			
Sale of assets	-	-	-
Transfers in	268,049	-	111,613
Transfers out	(9,533)	-	-
Net other financing sources(uses)	258,516	-	111,613

Capital Projects			
Capital Projects	Pack	Other Nonmajor Governmental Funds	Totals
$ -	$ -	$ 165,708	$ 700,983
584	-	-	584
-	-	143,955	163,440
-	-	-	18,908
12,388	-	15,361	101,270
-	-	10,157	328,713
-	-	550	205,672
20,228	-	50,160	111,858
33,200	-	385,891	1,631,428
-	-	11,621	621,918
-	-	-	407,346
-	-	-	3,439
-	-	10,155	195,941
-	-	-	24,990
-	-	506	130,434
-	-	-	249,958
215,459	-	254,483	469,942
215,459	-	276,765	2,103,968
(182,259)	-	109,126	(472,540)
-	-	55,725	55,725
136,785	-	-	516,447
(98,549)	-	(408,365)	(516,447)
38,236	-	(352,640)	55,725

(continued)

CITY OF TAMA

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Governmental Funds

As of and for the year ended June 30, 2006

		Special Revenue	
	General	Road Use Tax	Debt Service
NET CHANGE IN CASH BALANCE	(25,346)	(3,682)	(250)
CASH BALANCES, BEGINNING OF YEAR	285,291	183,059	16,012
CASH BALANCES, END OF YEAR	$ 259,945	$ 179,377	$ 15,762
CASH BASIS FUND BALANCES:			
Reserved			
Debt Service	$ -	$ -	$ 15,762
Streets	-	179,377	-
Unreserved:			
General	259,945	-	-
Special revenue funds	-		-
Capital project funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balance	$ 259,945	$ 179,377	$ 15,762

Capital Projects			
Capital Projects	Pack	Other Nonmajor Governmental Funds	Totals
(144,023)	-	(243,514)	(416,815)
171,229	1,773,308	765,130	3,194,029
$ 27,206	$ 1,773,308	$ 521,616	$ 2,777,214
$ -	$ -	$ -	$ 15,762
-	-	-	179,377
-	-	-	259,945
-	-	112,307	112,307
27,206	1,773,308	355,304	2,155,818
-	-	54,005	54,005
$ 27,206	$ 1,773,308	$ 521,616	$ 2,777,214

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF TAMA

Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances - Proprietary Funds

As of and for the year ended June 30, 2006

	Enterprise Funds		
	Water	Sewer	Sewer Revenue Bond
OPERATING RECEIPTS:			
Charges for services	$ 232,166	$ 166,086	$ 147,384
Miscellaneous	30,599	-	-
Total operating receipts	262,765	166,086	147,384
OPERATING DISBURSEMENTS:			
Business type activities:			
Water	269,440	-	-
Sewer	-	207,037	-
Total operating disbursements	269,440	207,037	-
Excess(deficiency) of operating receipts over(under) operating disbursements	(6,675)	(40,951)	147,384
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	3,176	9,269	-
Debt service	-	-	(140,039)
Net nonoperating receipts (disbursements)	3,176	9,269	(140,039)
Excess(deficiency) of receipts over(under) disbursements	(3,499)	(31,682)	7,345
OTHER FINANCING SOURCES (USES):			
Transfers in	-	50,000	-
Transfers out	-	-	(50,000)
Net other financing sources (uses)	-	50,000	(50,000)

Nonmajor Enterprise Funds	Totals
$ 50,016	$ 595,652
	30,599
50,016	626,251
-	269,440
22,802	229,839
22,802	499,279
27,214	126,972
-	12,445
-	(140,039)
-	(127,594)
27,214	(622)
-	50,000
-	(50,000)
-	-

(continued)

CITY OF TAMA

Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances - Proprietary Funds

As of and for the year ended June 30, 2006

	Enterprise Funds		
	Water	Sewer	Sewer Revenue Bond
NET CHANGE IN CASH BALANCE	(3,499)	18,318	(42,655)
CASH BALANCES, BEGINNING OF YEAR	112,635	28,262	148,225
CASH BALANCES, END OF YEAR	$ 109,136	$ 46,580	$ 105,570
CASH BASIS FUND BALANCES:			
Reserved for debt service	$ -	$ -	$ 105,570
Unreserved	109,136	46,580	-
Total cash basis fund balance	$ 109,136	$ 46,580	$ 105,570

Nonmajor Enterprise Funds	Totals
27,214	(622)
100,823	389,945
$ 128,037	$ 389,323
$ 128,037	$ 233,607
	155,716
$ 128,037	$ 389,323

These financial statements should be read only in connection with the accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Tama, a political subdivision of the State of Iowa, is located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer services for its customers.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, account groups, 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 Tama (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.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate funds.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a fiduciary fund type.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest by the participating governments. City officials are members of the following Boards and Commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

(1) **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

(1) **Summary of Significant Accounting Policies** (continued)

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

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Revenue Bond fund is utilized to account for charges collected and transferred to the Debt Service Fund for the payment of interest and principal.

C. Measurement Focus and Basis of Accounting

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

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

(2) **Cash and Investments**

The City's deposits in banks at June 30, 2006, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

(2) **Cash and Investments** (continued)

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

At June 30, 2006, the City had the following investments:

	Carrying Amount	Market Value
United States Savings Bonds Series H	$ 37,000	$ 37,000

Interest Rate Risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 12 months of receipt) in instruments that mature within 365 days. Funds not identified as operating funds may be invested in investments with maturities longer than 365 days but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

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

Year Ending June 30	General Obligation Bonds		State Revolving Fund Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 55,000	$ 59,638	$ 104,000	$ 42,476	$ 159,000	$ 102,114
2008	55,000	58,123	109,000	37,932	164,000	96,055
2009	55,000	56,453	113,000	33,168	168,000	89,621
2010	60,000	54,673	118,000	28,230	178,000	82,903
2011	65,000	52,613	124,000	23,074	189,000	75,687
2012	65,000	50,243	129,000	17,654	194,000	67,897
2013	70,000	47,768	135,000	12,018	205,000	59,786
2014	70,000	45,008	140,000	6,118	210,000	51,126
2015	75,000	42,178	-	-	75,000	42,178
2016	75,000	39,073	-	-	75,000	39,073
2017	80,000	35,893	-	-	80,000	35,893
2018	85,000	32,423	-	-	85,000	32,423
2019	90,000	28,643	-	-	90,000	28,643
2020	95,000	24,553	-	-	95,000	24,553

(3) **Bonds and Notes Payable** (continued)

Year Ending June 30	General Obligation Bonds		State Revolving Fund Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	100,000	20,143	-	-	100,000	20,143
2022	100,000	15,363	-	-	100,000	15,363
2023	105,000	10,563	-	-	105,000	10,563
2024	115,000	5,525	-	-	115,000	5,525
Total	$ 1,415,000	$ 678,867	$ 972,000	$ 200,670	$ 2,387,000	$ 879,537

The sewer bond resolution provides that the revenue bond principal and interest must be paid solely out of the net earnings of the sewage works and facilities. It also provides a sum equal to one-twelfth of the principal of all bonds maturing on the succeeding June 1, plus a sum equal to one-sixth of the interest coming due on the succeeding December 1, be deposited in the Enterprise Fund - Sewer Revenue Bond in monthly installments prior to such June 1 and December 1. In addition, the resolution establishes an initial reserve balance of $60,000 to be deposited from cash on hand. As of June 30, 2006, the City was in compliance with the deposit requirements of the resolution.

(4) **Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2005, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively, and for the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were $31,209, $31,033, and $30,332, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of the salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

(4) **Pension and Retirement Benefits** (continued)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee of other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

(5) **Compensated Absences**

City employees accumulate vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City was liable for $17,092 in accumulated vacation time. This liability has been computed based on the rate of pay as of June 30, 2006.

(6) **Commitments**

The City has entered into a management service contract with U.S. Filter for management of the water and sewer plants at a cost of $340,530 per year, subject to review annually. The City or U.S. Filter may terminate the agreement with thirty days written notice.

The City has entered into an agreement for street improvements. Estimated costs of the project are $282,858 of which $14,218 has not been paid at June 30, 2006.

(7) **Landfill Commitment**

The City of Tama participates in a 28E organization with Tama County and other cities in Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated cost of closure and postclosure care as of June 30, 1998, the most recent date for which such information is available, is approximately $1,047,325. The City of Tama will share in these costs on a per capita basis with the other organizations in the 28E organization. The City's share of these estimated costs is $168,341.

(8) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Employee benefit	$ 169,500
	Capital projects	98,549
		268,049
Capital projects	General Fund	9,533
	Trust and Agency	13,253
	Capital projects - community development	114,000
		136,786
Debt service	Capital projects - new pool	111,613
Sewer	Sewer Revenue Bond	50,000
		$ 566,448

(9) Risk Management

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

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

(9) **Risk Management (continued)**

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were $15,361.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with Nationwide Insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) **Inter-fund Loans**

During the fiscal year, a loan was made to the Special Revenue, Urban Renewal Tax Increment fund from the Road Use Tax and Capital Projects funds in order to fund urban renewal projects. The loan will be repaid, along with interest at 5%, as property taxes (tax incremental financing) are received. At June 30, 2006, the loan amount outstanding totals $42,786.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF TAMA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget to Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual
RECEIPTS:		
Property tax	$ 700,983	$ -
Tax increment financing collections	584	-
Other city tax	163,440	-
Licenses and permits	18,908	-
Use of money and property	101,270	12,445
Intergovernmental	328,713	-
Charges for services	205,672	595,652
Miscellaneous	111,858	30,599
Total receipts	1,631,428	638,696
DISBURSEMENTS:		
Public safety	621,918	-
Public works	407,346	-
Health and social services	3,439	-
Culture and recreation	195,941	-
Community and economic development	24,990	-
General government	130,434	-
Debt service	249,958	140,039
Capital projects	469,942	-
Business type activities	-	499,279
Total disbursements	2,103,968	639,318
Excess (deficiency) of receipts over (under) disbursements	(472,540)	(622)
OTHER FINANCING SOURCES, NET	55,725	-
Excess of receipts and other financing sources over disbursements and other financing uses	(416,815)	(622)
BALANCE, BEGINNING OF YEAR	3,194,029	389,945
BALANCE, END OF YEAR	$ 2,777,214	$ 389,323

Less Funds not Required to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
$ -	$ 700,983	$ 700,363	$ 700,363	$ 620
-	584	-	-	584
-	163,440	156,492	156,492	6,948
-	18,908	3,590	3,590	15,318
-	113,715	76,450	85,450	28,265
-	328,713	320,396	339,496	(10,783)
-	801,324	894,157	905,857	(104,533)
1,828	140,629	38,650	38,650	101,979
1,828	2,268,296	2,190,098	2,229,898	38,398
-	621,918	561,609	642,409	(20,491)
-	407,346	476,978	476,978	(69,632)
-	3,439	6,100	6,100	(2,661)
-	195,941	183,720	206,012	(10,071)
-	24,990	16,000	31,000	(6,010)
-	130,434	133,640	135,090	(4,656)
-	389,997	249,958	249,958	140,039
-	469,942	275,000	600,000	(130,058)
-	499,279	719,442	719,442	(220,163)
-	2,743,286	2,622,447	3,066,989	(323,703)
1,828	(474,990)	(432,349)	(837,091)	362,101
-	55,725	25,000	25,000	30,725
1,828	(419,265)	(407,349)	(812,091)	392,826
52,176	3,531,798	2,957,945	3,583,973	(52,175)
$ 54,004	$ 3,112,533	$ 2,550,596	$ 2,771,882	$ 340,651

See accompanying independent auditor's report.

CITY OF TAMA

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2006

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by $444,542. The budget amendments are reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TAMA

Statement of Cash Receipts, Disbursements, and Changes in Cash Balance

Nonmajor Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue		
	Trust & Agency	Civic Center	Tax Increment Financing
RECEIPTS:			
Property tax	$ -	$ -	$ -
Other city tax	-	-	-
Use of money and property	2,632	62	-
Intergovernmental	857	-	-
Charges for services	-	550	-
Miscellaneous	34,559	15	-
Total receipts	38,048	627	-
DISBURSEMENTS:			
Operating:			
Public safety	11,621	-	-
Culture and recreation	10,155	-	-
General government	186	320	-
Capital Projects	-	-	-
Total disbursements	21,962	320	-
Excess(deficiency) of receipts over (under) disbursements	16,086	307	-
OTHER FINANCING SOURCES (USES):			
Sale of Assets	-	-	-
Transfers in	-	-	-
Transfers out	(13,252)	-	-
Net other financing sources (uses)	(13,252)	-	-

	Capital Projects			Permanent	
Employee Benefit	Community Development	Downtown	New Pool	Cemetery Perpetual Care	Totals
$ 165,708	$ -	$ -	$ -	$ -	$ 165,708
6,059	-	-	137,896	-	143,955
1,378	-	6,590	4,690	9	15,361
-	-	-	9,300	-	10,157
-	-	-	-	-	550
-	5,300	7,860	606	1,820	50,160
173,145	5,300	14,450	152,492	1,829	385,891
-	-	-	-	-	11,621
-	-	-	-	-	10,155
-	-	-	-	-	506
-	-	95,427	159,056	-	254,483
-	-	95,427	159,056	-	276,765
173,145	5,300	(80,977)	(6,564)	1,829	109,126
-	55,725	-	-	-	55,725
-	-	-	-	-	-
(169,500)	(114,000)	-	(111,613)	-	(408,365)
(169,500)	(58,275)	-	(111,613)	-	(352,640)

(continued)

CITY OF TAMA

Statement of Cash Receipts, Disbursements,
and Changes in Cash Balance

Nonmajor Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue		
	Trust & Agency	Civic Center	Tax Increment Financing
NET CHANGE IN CASH BALANCE	2,834	307	-
CASH BALANCE, BEGINNING OF YEAR	95,239	2,462	-
CASH BALANCE, END OF YEAR	$ 98,073	$ 2,769	$ -
CASH BASIS FUND BALANCE:			
Unreserved:			
Special revenue funds	$ 98,073	$ 2,769	$ -
Capital project funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balance	$ 98,073	$ 2,769	$ -

Schedule 1

	Capital Projects			Permanent	
Employee Benefit	Community Development	Downtown	New Pool	Cemetery Perpetual Care	Totals
3,645	(52,975)	(80,977)	(118,177)	1,829	(243,514)
7,820	92,450	249,239	265,744	52,176	765,130
$ 11,465	$ 39,475	$ 168,262	$ 147,567	$ 54,005	$ 521,616
$ 11,465	$ -	$ -	$ -	$ -	$ 112,307
-	39,475	168,262	147,567	-	355,304
-	-	-	-	54,005	54,005
$ 11,465	$ 39,475	$ 168,262	$ 147,567	$ 54,005	$ 521,616

Schedule 2

CITY OF TAMA

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Nonmajor Enterprise Funds

As of and for the year ended June 30, 2006

	Sewer Rehabilitation	Sewer Replacement	Totals
OPERATING RECEIPTS:			
Charges for services	$ 25,008	$ 25,008	$ 50,016
OPERATING DISBURSEMENTS:			
Business type activities:			
Sewer	9,464	13,338	22,802
Excess(deficiency) of operating receipts over(under) operating disbursements	15,544	11,670	27,214
CASH BALANCE, BEGINNING	34,115	66,708	100,823
CASH BALANCE, ENDING	$ 49,659	$ 78,378	$ 128,037
Cash Basis Fund Balance:			
Unreserved	$ 49,659	$ 78,378	$ 128,037

CITY OF TAMA

Schedule of Indebtedness

Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Flood control project	March 1, 1991	6.65-6.75%	$ 575,000
Flood protection	March 1, 1993	4.60-4.70%	515,000
Aquatic Center Series 2004 A	August 1, 2004	2.25-4.75%	1,165,000
Aquatic Center Series 2004 B	August 1, 2004	2.25-5.00%	300,000
Total			
State Revolving Fund Notes:			
Loan notes	Oct. 1, 1993	4.37%	$ 1,828,000

Schedule 3

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
	$ 70,000	$ -	$ 70,000	$ -	$ 4,725	$ -
	60,000	-	60,000	-	2,820	-
	1,165,000	-	40,000	1,125,000	47,773	-
	300,000	-	10,000	290,000	13,040	-
	$ 1,595,000	$ -	$ 180,000	$ 1,415,000	$ 68,358	$ -
	$ 1,072,000	$ -	$ 100,000	$ 972,000	$ 39,503	$ -

CITY OF TAMA

Bond and Note Maturities

June 30, 2006

Year Ending June 30,	General Obligation Bonds Aquatic Center Series 2004A Issued Aug. 1, 2004 Interest Rates	 Amount	Aquatic Center Series 2004B Issued Aug. 1, 2004 Interest Rates	 Amount	Total
2007	2.70 %	$ 45,000	3.00 %	$ 10,000	$ 55,000
2008	3.00	45,000	3.20	10,000	55,000
2009	3.20	45,000	3.40	10,000	55,000
2010	3.40	50,000	3.60	10,000	60,000
2011	3.60	50,000	3.80	15,000	65,000
2012	3.75	50,000	4.00	15,000	65,000
2013	3.90	55,000	4.10	15,000	70,000
2014	4.00	55,000	4.20	15,000	70,000
2015	4.10	60,000	4.30	15,000	75,000
2016	4.20	60,000	4.40	15,000	75,000
2017	4.30	65,000	4.50	15,000	80,000
2018	4.40	65,000	4.60	20,000	85,000
2019	4.50	70,000	4.70	20,000	90,000
2020	4.60	75,000	4.80	20,000	95,000
2021	4.75	80,000	4.90	20,000	100,000
2022	4.75	80,000	5.00	20,000	100,000
2023	4.75	85,000	5.00	20,000	105,000
2024	4.75	90,000	5.00	25,000	115,000
Total		$1,125,000		$ 290,000	$1,415,000

State Revolving Fund Notes

Loan Notes Issued Oct. 1, 1993

Interest Rates	Amount
4.37 %	$ 104,000
4.37	109,000
4.37	113,000
4.37	118,000
4.37	124,000
4.37	129,000
4.37	135,000
4.37	140,000
	-
	-
	-
	-
	-
	-
	-
	-
	-
	-
	$ 972,000

Schedule 5

CITY OF TAMA

Schedule of Receipts by Source and Disbursements By Function - All Governmental Funds

For the Last Four Years

	2006	2005	2004	2003
RECEIPTS:				
Property tax	$ 700,983	$ 641,617	$ 669,969	$ 705,032
Tax increment financing collections	584	30,210	14,471	5,809
Other city tax	163,440	157,064	133,376	33,298
Licenses and permits	18,908	19,794	19,788	22,477
Use of money and property	101,270	118,227	106,243	72,016
Intergovernmental	328,713	364,766	271,417	804,352
Charges for service	205,672	223,582	184,486	183,942
Miscellaneous	111,858	246,191	229,661	74,559
Total	$ 1,631,428	$ 1,801,451	$ 1,629,411	$ 1,901,485
DISBURSEMENTS:				
Operating:				
Public safety	$ 621,918	$ 593,193	$ 501,974	$ 449,528
Public works	407,346	386,834	530,715	386,698
Health and social services	3,439	4,089	4,814	3,011
Culture and recreation	195,941	169,609	176,179	140,647
Community and economic development development	24,990	22,277	22,028	-
General government	130,434	127,852	124,930	118,362
Debt service	249,958	186,362	178,885	176,842
Capital projects	469,942	1,460,820	798,672	563,366
Total	$ 2,103,968	$ 2,951,036	$ 2,338,197	$ 1,838,454

See accompanying independent auditor's report.

Schedule 6

CITY OF TAMA

Schedule of Sewer Service Charges

Year ended June 30, 2006

	Category A	Category B
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Ammonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	$7.00	$7.00
Volume charge:	$4.27/1,000 gallons	$4.27/1,000 gallons
Surcharge for concentration Levels exceeding Category A:		BOD* $0.32/lb suspended solids $0.17/lb ammonia nitrogen $1.16/lb

*Biochemical oxygen demand

CITY OF TAMA

Schedule of Insurance in Force

Year ended June 30, 2006

Insurer	Policy Number	Type of Coverage
Nationwide Mutual Insurance Company	ACP WC 7130261971	Workers' Compensation Employer's Liability
Nationwide Mutual Insurance Company	ACP 7130261971	Commercial property Auto Commercial Inland Marine and scheduled property Fidelity bond
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability

Schedule 7

Policy period	Exposure Coverage	Amount of Coverage
4/1/06 to 4/1/07	Workers' Compensation All Employees	Statutory $100,000/Accident $100,000/Employee $500,000/Policy Limit
4/1/06 to 4/1/07	Property Damage	90% of value
4/1/06 to 4/1/07	Auto Liability	$1,000,000 Liability
4/1/06 to 4/1/07	Non Real Estate Property	Replacement Value
1/1/06 to 1/1/07	Employee Performance	$50,000
4/1/06 to 4/1/07	General Liability Officials Liability Law Enforcement Liability	$2,000,000 $2,000,000 $2,000,000

Schedule 8

CITY OF TAMA

Schedule of Legal Debt Margin

June 30, 2006

Valuation of City as of January 1, 2005	$ 76,808,749
Legal debt limitation percentage	5%
Legal debt limitation	3,840,437
General obligation indebtedness outstanding as of June 30, 2006	1,415,000
Legal Debt Margin	$ 2,425,437

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

To the Honorable Mayor and
Members of the City Council
Tama, 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 Tama, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 21, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tama's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Tama's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Offices in 15 states and Washington, DC
Member of HLB International

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III in the accompanying Schedule of Findings.

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.

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

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

Clifton Gunderson LLP

Cedar Rapids, Iowa
September 21, 2006

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2006

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

(a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

(b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements and was considered a material weakness.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

06-A-06: Segregation of Duties

Criteria:

The City should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition:

The City does not have adequate segregation of duties over all accounting transactions.

Context:

Internal controls that are in place could be averted, overridden, or not consistently implemented.

Effect:

As result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause:

The City has a limited number of personnel performing accounting functions.

Recommendation:

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the City review its operating procedures to obtain the maximum internal control possible under the circumstances.

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2006

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

06-A-06: Segregation of Duties (continued)

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. Management is aware of the lack of segregation of duties and has considered alternatives to improve the situation. Management is monitoring the situation and is segregating accounting duties where practical.

Prior year reportable conditions have been resolved except for the reportable condition described above.

PART III: FINDINGS RELATED TO STATUTORY REPORTING

III-A-06 Certified Budget - Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

III-B-06 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purposes as defined in an Attorney General's opinion dated April 25, 1979.

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

III-D-06 Business Transactions - There were no business transactions between the City and City officials.

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

III-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

PART III: FINDINGS RELATED TO STATUTORY REPORTING (CONTINUED)

III-G-06 Revenue Bonds - The sewer revenue bond resolution provides that revenue bond principal and interest must be paid solely out of the net earnings of the sewage works and facilities. It also provides a sum equal to one-twelfth of the principal of all bonds maturing on the succeeding June 1, plus a sum equal to one-sixth of the interest coming due on succeeding December 1, be deposited in the Enterprise Fund - Sewer Rental Bond in monthly installments prior to such June 1 and December 1. In addition, the resolution establishes an initial reserve balance of $60,000 to be deposited from cash on hand. As of June 30, 2006, the City was in compliance with the deposit requirements of the resolution.

III-H-06 Deposits and Investments – 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 were noted.

III-I-06 Compliance with Loan and Grant Agreements - During the year ended June 30, 2006, the City had a loan balance through the state revolving fund. The loan agreement contained certain provisions with which the City must comply. It appears the City has complied with all provisions, except the following:

Comment - The City has not provided a balance sheet in its financial statements and has not prepared the financial statements using the accrual method of accounting as of June 30, 2006.

Recommendation - The City should either comply with the provisions to provide a balance sheet in its financial statements and also prepare its financial statements on the accrual basis of accounting or obtain a waiver from complying with these provisions.

Response - The City will try to obtain a waiver from these provisions.

Conclusion - Response accepted.

III-J-06 Employee Benefits – The City overlevied for Employee Benefits.

Recommendation – The City should only levy funds that are expected to be disbursed.

Response – The City agrees that it overestimated amounts needed and will correct this problem.

Conclusion – Response accepted.

CITY OF TAMA

Audit Staff

This audit was performed by:

William E. Murray, CPA, Audit Partner

Andrew J. Johnson, Senior Associate

Tonya N. Determan, Associate