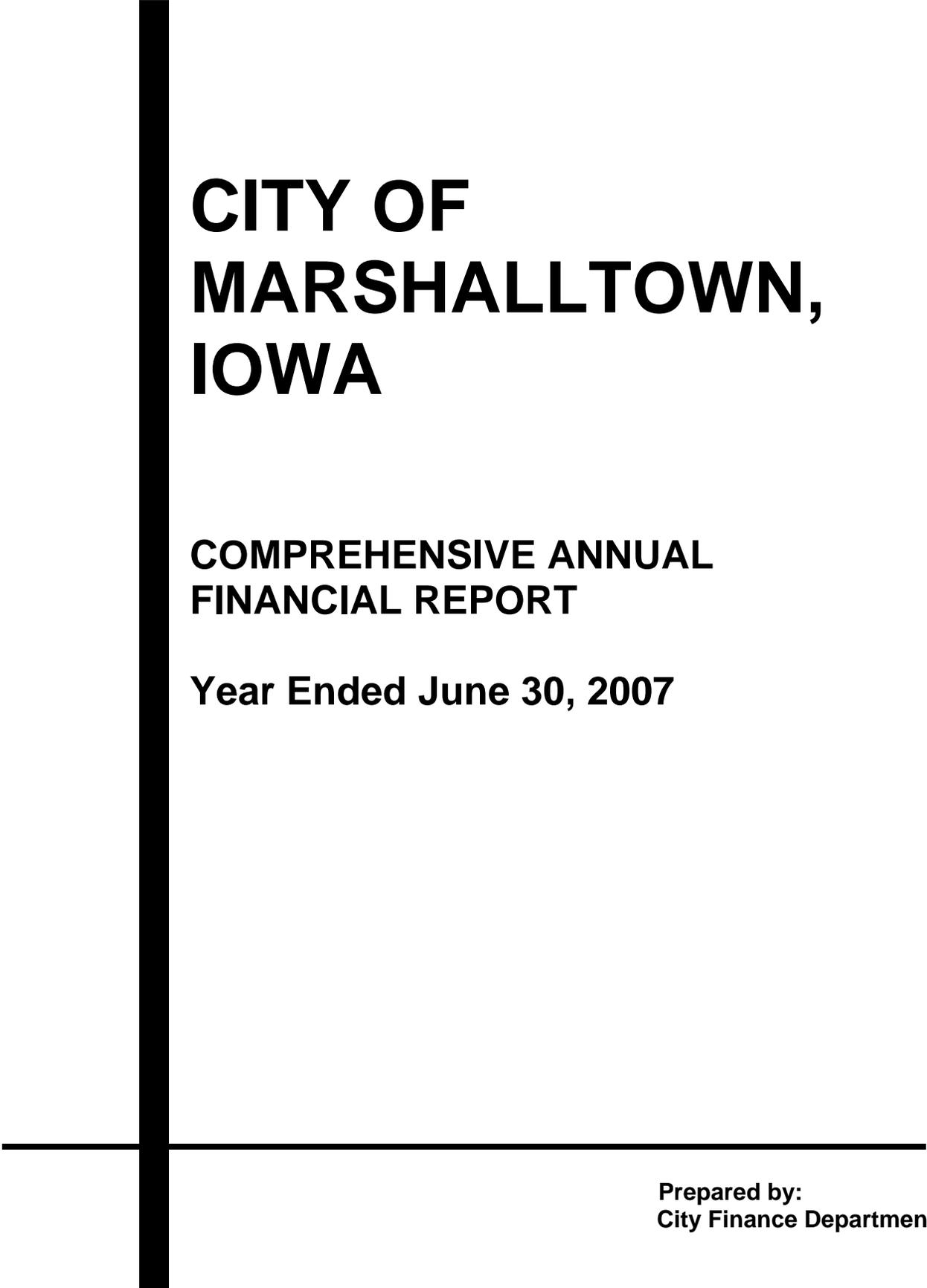


# CITY OF MARSHALLTOWN IOWA

*COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
Year Ended June 30, 2007*



Prepared by City of Marshalltown  
Finance Department



# **CITY OF MARSHALLTOWN, IOWA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2007**

**Prepared by:  
City Finance Department**

# CITY OF MARSHALLTOWN, IOWA

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## **INTRODUCTORY SECTION**

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City of Marshalltown  
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January 29, 2008

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

In accordance with Chapter 11 of the Code of Iowa, I hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Marshalltown, Iowa, (City) for the fiscal year ended June 30, 2007. The accuracy of data, and the completeness and fairness of the presentation, including all disclosures, is the responsibility of the City management. To the best of our knowledge and belief, the enclosed data accurately, and in all material respects, are reported in a manner that presents fairly the financial position and results of operations for the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Also included is information required to fulfill SEC disclosure regulations and bond covenants as it pertains to bonds held by the City of Marshalltown.

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

1. The introductory section is unaudited and includes the table of contents, this letter, a copy of the Certificate of Achievement for Excellence in Financial Reporting awarded for the FYE 06 CAFR, an organizational chart and a listing of principal elected and appointed officials.
2. The financial section includes the independent auditor's report, the management's discussion and analysis (MD&A) of the City's financial activities, the basic financial statements, the combining and individual fund financial statements, schedules and supplementary information.
3. The statistical section of the report, which is also unaudited, includes statistical information pertaining to the City's financial condition and operations, generally presented on a multi-year basis. Also included in this section are schedules required for bond covenant and SEC compliance.
4. The fourth section of the report provides the information needed to comply with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the independent auditor's report, the schedule of expenditures of federal awards (SEFA), and schedule of findings and questioned costs are included in the compliance section.

The City of Marshalltown's financial statements have been audited by Eide Bailly LLP of Dubuque, IA, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant

estimates made by management, and evaluating the overall financial statement presentation. The independent auditor, concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Marshalltown's financial statements for the fiscal year ended, June 30, 2007 are fairly presented in conformity with GAAP.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. With the FY 06 financial report, the City implemented Governmental Accounting Standards Board Statement No. 44. This statement expands the usefulness of the information presented in the Statistical Section of this report, presenting many multi year histories of many financial trends. As the years progress, a greater amount of comparison will be provided to aid the reader in understanding the underlying financial condition of the City.

## **Profile of the Government**

The City was incorporated July 27, 1863 under the laws of the State of Iowa, later amended on June 16, 1975 under the City Home Rule Act. Marshalltown is located in the central region of the state, with a land area of 19.19 square miles and a population of 26,009 as of the 2000 census. The City is empowered to levy a property tax on both real and personal property located within its boundaries, and has the power to extend its corporate limits by annexation, which was done during the fiscal year of this report, adding 1.04 square miles for the potential Alliant Energy Plant expansion. The City operates under a mayor-council form of government. Setting policy and legislative authority are vested in the seven-member council. The City Council is responsible for passing ordinances, resolutions, adopting and amending the budget, appointing committees and hiring the City Administrator as provided by ordinance. The Mayor and Council are elected on a nonpartisan basis. Beginning November 1997 the elections are on a four year staggered term rotation, allowing continuity within the membership. Four of the council members are elected from within their respective districts. The mayor and the three remaining council members are elected at large. The City Administrator, hired by the City Council is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and for hiring the City Clerk and department managers.

The City provides police, fire, traffic safety, culture, recreation, community development, public works, sewage collection and disposal, compost facility, a transit system, municipal parking lots, and various housing programs as authorized by its charter. For financial reporting purposes, all funds, agencies, boards, commissions, trusts and authorities involved in the provision of these services are included if the City is financially accountable. Financial accountability is determined by several inherent factors, including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits and separate legal entity status. In Marshalltown, the library is overseen by a board of directors and included in the operations of the general fund. 911 Communications are administered by a 911 Commission, which uses an agreement allowed by Chapter 28 of the Code of Iowa and is included in this report. The water distribution system, administered by an independent utility board of trustees, and the Convention and Visitors Bureau, administered by a board of directors, are included as component units of the City. The Marshalltown School District and East Marshall School District are administered by independent and autonomous boards created and elected under the authority of the Code of Iowa, are legally separate and are fiscally independent of the state and other local governments. The school districts' financial statements are, therefore, not included as part of the City's financial report. However, the county and school district overlapping debt is displayed in the statistical schedules.

The annual budget serves as the foundation for the City of Marshalltown's financial planning, development and control. The budget is adopted as one document containing two components, the capital and operating

budget. The capital budget includes all projects and assets acquisitions in excess of \$5,000. All City departments are required to submit appropriation requests to the finance department during the fall of each year. Revenue estimates and expenditure requests are verified for availability and compatibility with Council goals and policies. The city administrator then uses this analysis for developing a proposed budget. The proposed budget is presented to the council for review during January. The council is required to hold at least one public hearing on the proposed budget and to adopt a final budget before March 15. The legally adopted budget is prepared by function (e.g., Public Safety, Public Works, Capital Projects etc). Department managers may make transfers of appropriations within the department. The transfer of appropriations between functions, however, requires a public hearing and approval by the city council prior to exceeding the published function budget. Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 78-79 as part of the required supplementary information.

### ECONOMIC CONDITION AND OUTLOOK

The local economic outlook is still positive based upon the recent events listed later in this letter. The national trend for a slow down in new housing stock construction is reflected within Marshalltown. Building permits in total, however, were up \$7,933,700. Twenty-seven new single-family units were constructed totaling \$5,570,000. Thirty-six multi family units were given permits during this fiscal year adding \$4,369,000 to local housing. Additionally, strong retail sales point to Marshalltown as a stable regional economy. Unemployment is low, and skilled workers are in demand statewide. Civic leaders have successfully capitalized on this continued momentum with the announcement of various industrial expansions.

Marshalltown is further developing as a regional hub and medical center with the announcement by Marshalltown Medical and Surgical Center of a collaboration with the Iowa Heart Center to build a Cardiac Catheterization Lab. The new Cardiovascular Cath Lab at MMSC includes the most advanced technology for the diagnosis and treatment of heart disease. Staffed and directed by the premiere cardiologists from the Iowa Heart Center, the Cath Lab at MMSC provides patients with quality care in downtown Marshalltown.

The new facility adds two board certified cardiologists and new support staff for the facility, strengthening MMSC as one of the City's major employers. Instead of traveling out of town for care, patients now will be able to stay in the community and receive cardiac care from highly qualified Cardiologists, practicing at a state-of -the-art facility. Iowa Heart Center, Iowa's leader in cardiovascular care, began offering office appointments in Marshalltown September 20, just after the close of the City's fiscal year. The variety of services in Marshalltown, include: a) PTCA or Angioplasty, b) Stent Placement, c) Drug Eluting Stent Placement (DES), d) Arthrorectomy, e) Cardio version, f) Pacemaker, g) Trans Esophageal Echocardiogram and h) Peripheral Angiography and Interventions.

In addition to the "cath" lab extension of services, another new doctor joined Marshalltown Medical & Surgical Center, bringing a second ear, nose and throat specialist to the medical campus for the first time since 2004.

The Local Option Sales Tax (LOST) begun April 1, 2000 was extended for another ten years in early 2004. The original ballot language required 20% of the LOST for the storm sewer, 5% for cash flow

reserves and 75% designated for property tax relief. Having successfully achieved the goals of that mandate, the 2004 ballot changed the 5% to be designated by the City Council for any legal purpose and the 20% to be designated for storm sewer and other capital projects. The LOST generated over \$2.8 million tax collected and interest earned (up from \$2.4) during this year demonstrating continued stability in the retail sector. The George Butler and Associates study on the condition of the storm sewer system, created a status and location database sighting repairs and reconstruction in excess of \$13.6 million. During this year Council began chipping away at the mountain of pent up projects, focusing repair at Hughes St., on East Linn to facilitate an industrial expansion of a railroad spur, and Boone and 2<sup>nd</sup> Street, the southwest corner of the new Library site. The 75% property tax relief portion of the LOST was applied during preparation of the budget for fiscal year 2006-2007, reducing the tax levy by \$2.92/\$1,000 of taxable valuation or \$1,945,000. The Council's discretionary designation for this year went to the re-roofing of the police station, city hall and senior citizens building repairs.

The School Infrastructure Local Option (SILO) Sales Tax, originally passed in 2004, was designated to buy down the \$25,000,000 infrastructure bonds for ten years. Voters in Marshall County gave the extended collection of SILO tax through 2022. A total of 1,190 voters approved the Oct. 16 vote with 68 percent in favor. This vote assures SILO will pay for the bond issue for eight more years, or until 2022. Working with a Citizens Advisory Committee for SILO, the district has begun saving money to cover the last two years of bond issue debt that go beyond the SILO sunset date of 2022.

Most of the schools to undergo restructuring have been completed to the extent that students have relocated to the new facilities. Restructuring the physical plants allowed the district to diversify the population at the junior high schools by grade level rather than residency location. Before these changes, the blend of the two junior high schools was done in the high school 9th grade. This earlier diversification strengthens the Marshalltown School Districts goals of ethnic and economic blending and compliance with the federally mandated "No Child Left Behind" program.

## MAJOR INITIATIVES

RDG Planning & Design of Des Moines completed the Marshalltown City Center Plan last year. The plan, commissioned as a joint venture between the City and various business leaders, conducted a survey, site visits, focus groups, task force planning and many community wide public meetings to collect community input. The Marshalltown City Center Plan presented an ambitious and varied program for enhancing the city's center. The plan emphasized "Marshalltown has invested substantial private and public resources in the past in development in its downtown district. These have included public investments in the Main Street streetscape, Aquatic Center and Coliseum. The city has also benefited from major private investments and gifts such as the Fisher Community Center and the Community Y recreation complex, all of which contribute to the quality of life of the community. In addition, the city is supporting downtown revitalization efforts through the local Main Street Program. The Marshalltown Central Business District Façade Improvement Program Committee is designed to promote the continued use and maintenance of commercial buildings in the downtown area by helping property owners and tenants rehabilitate and restore eligible buildings. Reimbursement grants are provided to owners or tenants in recognition of the positive impact that individual building improvements can have on the overall appearance, quality, and vitality of the downtown. To be eligible for a Façade Improvement Program reimbursement grant, a building must be used in whole or in part for commercial purposes and must be located within the target area. The target area coincides with the Tax Increment Financing (TIF) district #4 located in the historic downtown.

In April 2006, the 70% voter approval to build a new library spurred a great deal of activity amongst various City departments. The referendum allowed not more than \$5,000,000 in general obligation bonds to be sold for the project, creating a challenge to raise the other \$4 million to construct the facility. Fisher-Emerson donated property to the City for the new library site. As an additional incentive, Fisher Emerson gave a \$250,000 challenge grant for the project. The project received \$1.2 million from the Vision Iowa Grant in October 2006 and as of the writing of this report, all other necessary property has been secured and sanitary and storm sewer modifications have been completed. Footings and other preliminary construction is underway with the steel on sight during December 2007. Completion of the facility is planned in the fall of 2008.

On September 12, 2006, the voters of Iowa Valley Community College District approved a \$35 million general obligation bond issue by a 63% majority vote. The money will be used over a 10-year period for improvements to Ellsworth Community College in Iowa Falls, Marshalltown Community College, Iowa Valley Continuing Education, and Iowa Valley Grinnell.

IVCCD anticipates spending a maximum of \$8.5 million on site preparation and construction of the new MCC Student Activity Center on the Marshalltown campus. The new building will be located south and east of the existing Babe Harder Memorial Complex, which will be renovated somewhat to connect to the new facility. Groundbreaking was held in early September 2006 and the walls are now going up, so the building project is really coming to life!

The new two-story student sports/wellness center and one-story athletic department, a bit over 40,000 square feet, will include a full college basketball/volleyball court with seating for up to 1,500, locker rooms, wellness center and upper level walking/jogging track. It will also include student meeting rooms and lounge/recreation areas for a variety of student, community, and college-related activities. The new MCC Student Activity Center is designed to attract prospective students, being potentially the nicest student athletic/activity facilities in the community college system. The new building will accommodate the large crowds at graduations and special events, while simultaneously providing workout and gathering space for students on the second floor. Through careful planning of entrances and doorways, the building can be used for numerous activities simultaneously – virtually always being accessible to the full student population. It is anticipated that the facility will be ready for use by May of 2008.

Marshalltown Community College is also partnering with the Orpheum Board to renovate the historic Orpheum Theater on East Main Street in downtown Marshalltown. A portion of the project will satisfy the Orpheum Board's desire to restore a movie theater/concessions area and to create a historic exhibit/display area. MCC will renovate the remainder for theater and classroom use, highlighted by a flexible black box theater with seating for up to 200 to be used for the college's growing fine arts program. The renovation will also include a green room and broadcasting booth, three classrooms, an area for set design/construction, a serving kitchen, handicap accessible bathrooms, and an office for the director of the new building. IVCCD anticipates spending \$1.5 million on the renovation of the Orpheum Theater. The college and Orpheum Board have formed a joint board of advisors whose primary function will be to secure additional outside grant funding for the project.

This unique partnership will allow MCC to add classroom and performing arts space while supporting a strong community effort to expand and restore the historic downtown Main Street district. The flexibility of the black box theater will permit the college (and other groups) to conduct theater-in-the-round productions, dinner theaters, and a variety of other fine arts events. The renovated Orpheum Theater will also provide training space for the college's Broadcast Technology students to learn about lighting and

sound technologies and set-ups, as well as providing much-needed space for the college and community theater groups to design and construct sets for theatrical productions. It will be a multi-use facility that will draw students and professionals to the downtown area, thus boosting the local economy.

With the exception of accepting the Orpheum Board's gift of the building and entering into a 28E Agreement with them to establish this partnership, the IVCCD Board has not taken any action relating to the Orpheum Theater construction project. The City and County Board of Supervisors have each contributed to the match on grants for the development of the Orpheum's funding. Grant funding was secured before the end of 2007 for re-construction in the spring of 2008.

IVCCD currently offers several Career Academy programs for area high school students. The participating high school juniors and seniors can take career and technical courses through Marshalltown Community College, Ellsworth Community College or Iowa Valley Grinnell and get both high school and MCC/ECC credit. Current Career Academies being offered in Marshalltown include: Broadcast Technology, Computer Networking, Construction, Diversified & Entrepreneurial Agriculture, Early Childhood Education, Health Occupations, Industrial Maintenance, Mechanical Design, Retail Management, and Tool & Die.

In the interest of meeting new and changing needs of area high schools and their students, IVCCD has committed \$250,000 of its bond issue funds to the development of additional Career Academy programs or enhancing existing programs. The money will be used primarily for whatever technical equipment is necessary to teach the programs selected. The specific programs to be developed will be determined in collaboration with area high school administrators and faculty members. IVCCD anticipates spending about \$5.35 million on large-scale facility repairs and maintenance projects as part of the bond issue facility improvement plan. Likely projects on multiple campuses include repair of aging leaky roofs (many are over 30 years old), updating HVAC and fire alarm systems (required by fire inspectors), replacing worn carpeting and repairing parking lots (for safety and aesthetic reasons), and installing features to improve the accessibility of the campuses for students and guests with special needs.

At this point work has begun on roof repairs in Marshalltown and Iowa Falls. On the MCC/Iowa Valley campus in Marshalltown, repairs have been made on the roof over the Iowa Valley Continuing Education Conference Center and work is still in progress on the roof space over the MCC Student Services wing, the Norris Technology Center and the Wolfe Education Center. IVCCD anticipates spending about \$2 million on the addition of a Welding & Technology Lab to the Construction Technology building on the northeast corner of the Marshalltown campus. It will be 12,200 square feet, including space for more work stations, a lab, steel storage, metal preparation, and classrooms. The space will accommodate up to 36 modern stations for arc welding, gas welding and brazing (a specialized and highly skilled style of finish welding). The cost of the project includes the building construction as well as welding equipment, air handling equipment, a loading dock, restrooms, an electrical upgrade (to handle the additional load on the building), three classrooms, a mechanical room, storage, an office, computers and AV equipment, and additional parking. In addition to the welding and brazing training/certification, the new facility will enable Iowa Valley to expand its lead safety training, agricultural welding training, and high school career-technical training. This facility will support skills identified by major employers, Lennox, Fisher Emerson and Alliant. This facility is targeted for use by January 2008. On December 12, 2006, Emerson Process Management, a business of Emerson announced a \$19 million renovation and expansion of its Fisher® control valves research and development facilities in Marshalltown, Iowa. The project will create the Fisher Technology Development Center, which will be the industry's largest and most advanced flow control research facility. The center will be staffed by employees from Emerson's current research and development facility, with plans to add 15 research and development engineers.

Construction began in early 2007. The new facility will: 1) Quadruple current air and water flow rate capabilities to permit testing of valves for larger and higher-pressure applications. 2) Increase pressure and flow sub-systems to support noise abatement research and product development. 3) Provide new flow sciences research labs to support multi-phase, cavitations and real world fluid control problems through the expanded dynamic performance test loops to accommodate larger valves, supporting all new product development, and improving customer demo and witness testing capability.

Fisher control valves play a key role in managing the flow of materials through process systems in such industries as power, refining, chemical, and oil and gas production. With this renovation and expansion, Emerson is continuing the innovation and growth that dates back to 1880, when the Fisher Governor Company began its manufacturing operations in Marshalltown. Today, Emerson is the world's largest manufacturer of control valves, with sales, manufacturing and service facilities located worldwide.

To secure this expansion within Marshalltown, the City entered into a tax increment financing agreement to rebate some of the property taxes generated by the new development center over the next five to ten years.

#### OTHER INFLUENCING FACTORS

Conveniently located at the junction of Highways 30 and 330 Marshalltown is the regional hub of central Iowa with six diverse golf courses, art galleries, Jet Karting, historic Main Street, antique shopping, the Big Tree house, annual festivals and events, architectural tours, Lincoln Highway, indoor and outdoor aquatic centers, 8.9 miles of bike and walking trails, within 30 miles of the Iowa Speedway of Newton, vineyard and wineries, a Vegas-style casino, and other exciting attractions. Located forty-five minutes northeast of Des Moines, Marshalltown can offer small town life style within the reach of a large metropolitan area for culture and transportation.

#### State Economic Impact:

During fiscal year 06-07 the residential assessment rollback continued to increase in essence reducing resources available to the City and other taxing governments, to an extent reducing growth originally scheduled to be added to the tax base. Assessed values increased in FY 07 by \$10,735,073. However, the growth in taxable values was influenced by the increase of 1.97% rollback factor for residential and almost a one percent rollback for commercial properties. During the 1980's, the state legislature limited the value growth by class to 4% statewide and linked or coupled agricultural and residential values so that neither class could increase at a greater percentage than the other. The emergence of ethanol plants in the past few years in Iowa have changed the market value of agricultural prices which may adversely impact the property tax system in Iowa. Legislative Interim committees are examining the property tax system because, in part, the rollback factor continues to shift the burden for the payment of services onto our businesses and industries. The table below demonstrates the magnitude of roll back by property classification. The table in the Statistical section depicts the assessed value and the rollback effects.

Fiscal Year	Residential	Agricultural	Commercial	Industrial	Utility
06-07	45.9960	100.	99.1509	100.	Excise tax
05-06	47.9642	100.	100.	100.	Excise tax
04-05	45.9960	100.	99.2574	100.	Excise tax
03-04	47.9642	100.	100.	100.	Excise tax
02-03	48.4558	100.	97.7701	100.	Excise tax
01-02	51.3874	100.	100.	100.	Excise tax
00-01	51.6676	96.338	98.7732	100.	Excise tax
99-00	56.2651	100.	100.	100.	Excise tax
98-99	54.8525	96.4206	97.3606	100.	100.
97-98	56.4789	100.	100.	100.	100.
96-97	54.9090	100.	97.2824	100.	100.
95-96	58.8284	100.	100.	100.	97.209
94-95	59.3180	100.	100.	100.	100.
93-94	67.5074	100.	100.	100.	100.

The Utility Replacement Tax (URT) also known as the Excise Tax, replaced the centrally assessed property tax on utilities with an excise tax based on the generation, transmission and distribution of electricity and natural gas since 1998. An assessed value of utility property is, however still used to calculate bonding capacity. This fiscal year there was a slight increase of 1.7% from the Utility Replacement Tax.

Section 42, another factor shifting the property tax liability was enacted by the state legislature in 2005, known as Iowa Code Section 42. This provision changes the calculation of privately held rental residential units that qualify for federal tax credits. These units previously classified as commercial can now be classified as residential (enjoying the rollback factor) in part increasing by the profitability of the unit. Pressures are being put upon the legislature to change the commercial classification on all residential units to enjoy the residential roll back. This could adversely affect the city's ability to generate revenues on properties generally requiring more services due to its high density and economic composition.

Capital Improvement Project (CIP) levy is property tax revenue used for the repair and replacement of capital items, approved by a referendum in 1999. This Capital Improvement levy generated \$431,150 this year. Use of this levy allows: 1) capital equipment and building maintenance on a routine, planned basis, 2) avoids or eliminates the use of debt capacity for capital equipment and building maintenance, 3) avoids or eliminates interest expense for capital equipment and building maintenance 4) allows more flexibility for operations within the general fund. By resolution, the City Council voted to set aside 15% of the annual capital improvement levy for large capital items such as fire engines. To better manage the resources generated by the levy, all departments prepare at least a five year capital needs plan for Council approval.

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

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

Additionally, the Council designated 15% of all annual revenue generated be earmarked for a special project. During FY 07, these designated funds contributed to the construction of a community center in the Riverview Park. The facility was constructed through the training program at the community college in time for the Iowa Barbeque Contest. This activity brings thousands of people into the community. The facility was designed to offer year round rentals to the park.

Special Assessments were used on another capital street project during this fiscal year demonstrating a change in cost sharing between the City and citizens that directly benefit from the street improvements. This has allowed the city to reduce the dependence on debt to fund street projects. The City policy uses the maximum interest rate allowed by state code (currently 9%) to encourage timely retirement of the assessment.

#### INTER-GOVERNMENTAL COOPERATION

A monthly meeting of the management of each of the governmental bodies continues for its thirteenth year. Discussions at these meetings allow informal discussions on changes in the community and their impact on each agency in the areas of taxation, tax increment financing, GIS mapping, data processing, zoning, demographics, personnel and transportation. Many of these managers also travel to Washington DC with the Chamber of Commerce and MEDIC (Marshall Economic Development Impact Committee) to explore available programs and funding assistance. Joint grants during this year have joint education and equipment purchases between the City and County Sheriff.

The County Board of Supervisors still meets with the City Council on a quarterly basis to continue management's involvement in intergovernmental cooperation and efficiencies. This year the direct benefits from the meetings were the discussions on the timing of events and cost sharing for Highland Acres road improvements and intended projects for tax increment financing. The City was awarded a second three year HUD Lead Abatement Grant. This grant reduces the city's high incidents of lead poisoning amongst early elementary aged children and has been extended into Marshall county. The purchase of a "safe" house and a leased facility provide a wholesome environment for families while their homes are abated of lead hazards. This project continues in part due to the coordination of agencies: the City's Housing and Inspection divisions, Marshalltown Medical and Surgical Center, the Martha Ellen Tye Foundation, Wells Fargo Bank, the Iowa Department of Human Services and the Iowa Department of Health. By the end of FY 2007, sixty-one homes and rental units were completed.

#### FINANCIAL INFORMATION

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

been established within the finance department and are evaluated to provide adequate control based on resources available. Management continues to modify internal controls to meet changing needs and recommendations by the external auditors.

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

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

As a part of the City's compliance audit, described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal financial assistance programs, and the state programs determined under the same criteria, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's independent auditor's results for the fiscal year ended June 30, 2007, disclosed no significant deficiencies in internal control over the major programs. All findings and comments can be found in the Schedule of Findings and Questioned Costs in the Compliance Section of this report.

*Cash Management.* Cash temporarily idle during the year can be invested in demand deposits, certificates of deposits, commercial paper rated AAA or above, obligations of the U.S. Treasury or an investment pool. The investment pool utilized by the City was the IPAIT (Iowa Public Agency Investment Trust) which invests primarily in U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U.S. Government. Investment of City funds are restricted by state statute and local policy. All investments of the primary government are directly held and managed by the City Finance Director with co-authority of the City Administrator. An Investment Advisory Committee of financial specialists within the community review all investment activity on not less than a quarterly basis, insuring the investment vehicles are diversified, staggered to meet cash flow needs, and with minimal risk exposure. The maturities of investments generally range from 30 days to 3 years. Due to competitive bidding and the change in the investment market, the temporary increase in interest rates, and a delay in the completion of some capital projects, there was a increase in earnings (\$902,394 in interest revenue on investments this year compared to \$684,650 in 05-06).

*Risk Management.* The city is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; worker's compensation; and health care of its employees. Through the insurance bidding process, the city began participation in the Iowa Cities Assurance Pool in 2005. This is an intergovernmental organization created to secure affordable insurance to municipalities and counties with similar risk exposures. During this same bidding process, the City moved its worker's compensation coverage to the Iowa Worker's Compensation Association. Strategic planning of worker's compensation cases including medical case management, supervisory/employee relations, transitional work and litigation management has been incorporated into the City's risk management program. The cost vs. benefit analysis done in conjunction with the 2004 insurance bidding process demonstrated that the medical only coverage for work related injuries for the police and fire personnel should be in a self insured program. Today the City has seen favorable results from this change. More details on the risk management can be found in the Notes to the Financial Statements found later in this report.

The City's self-funded health insurance also promotes safety and wellness through preventative incentives, publications and various activities. Third party coverage insures a stop loss limit of \$80,000 minimizing catastrophic exposure to losses. The Group Health Advisory Committee, made up of City employees and support staff, was formed to examine the City's self-administered insurance program. The committee continues to implement and monitor changes to the coverage of the group. Participation in the IRS Section 125 Cafeteria Plan, disability insurance, voluntary life insurance, drug discounts and wellness programs have substantially increased. Beginning in January 1998, a self-funded Preferred Provider Organization (PPO) plan was offered as an alternative to increased premiums. Provider discounts and favorable experience with claims positively impacts the city through available cash balances in the internal service fund and managed tax asking supporting the City's portion of the premium. Cost containment measures and claim review continue to improve control over excessive claims. There is, however, concern over the growth in prescription drug expenses. In January of 2007, the premiums for the program increased 23% for the fire protection unit. In a cost containment effort, all other employees increased the deductibles to reduce the premium increase to an average of 19%. Cash balances increased modestly due to the fewer major claims experience during the year. Caution and monitoring are still necessary because small claims are on the rise.

*Post employment benefits.* The City of Marshalltown provides postretirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 55 retired employees or surviving spouse receiving these benefits, which are financed on a pay-as-you-go basis. As of the date of this report, GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. The City is preparing for future reporting changes required by GASB in this area through various policy changes. See Note 8 under the Notes to Financial Statements for more detail on the policies changes affecting the post employment benefits.

#### OTHER INFORMATION

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

*Awards.* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the years ending June 30, 1990, and consecutively 1993 through 2006. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

The preparation of this report could not be accomplished without the dedicated services of the entire Finance Department. This has been a difficult transition year in the department losing two seasoned and dedicated veterans in municipal service but we look forward to working with our new comrades as they join the workforce of city employees who are steadfast, persistent and loyal in their pursuit to make Marshalltown a strong and safe regional center for education, health, businesses and recreation. We also want to acknowledge the assistance from many department staff, other agencies and organizations which are all vital to the culmination of this report.

Respectfully submitted,

Richard Hierstein  
City Administrator

And

Cindy R. Kendall, CGFM  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Marshalltown  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

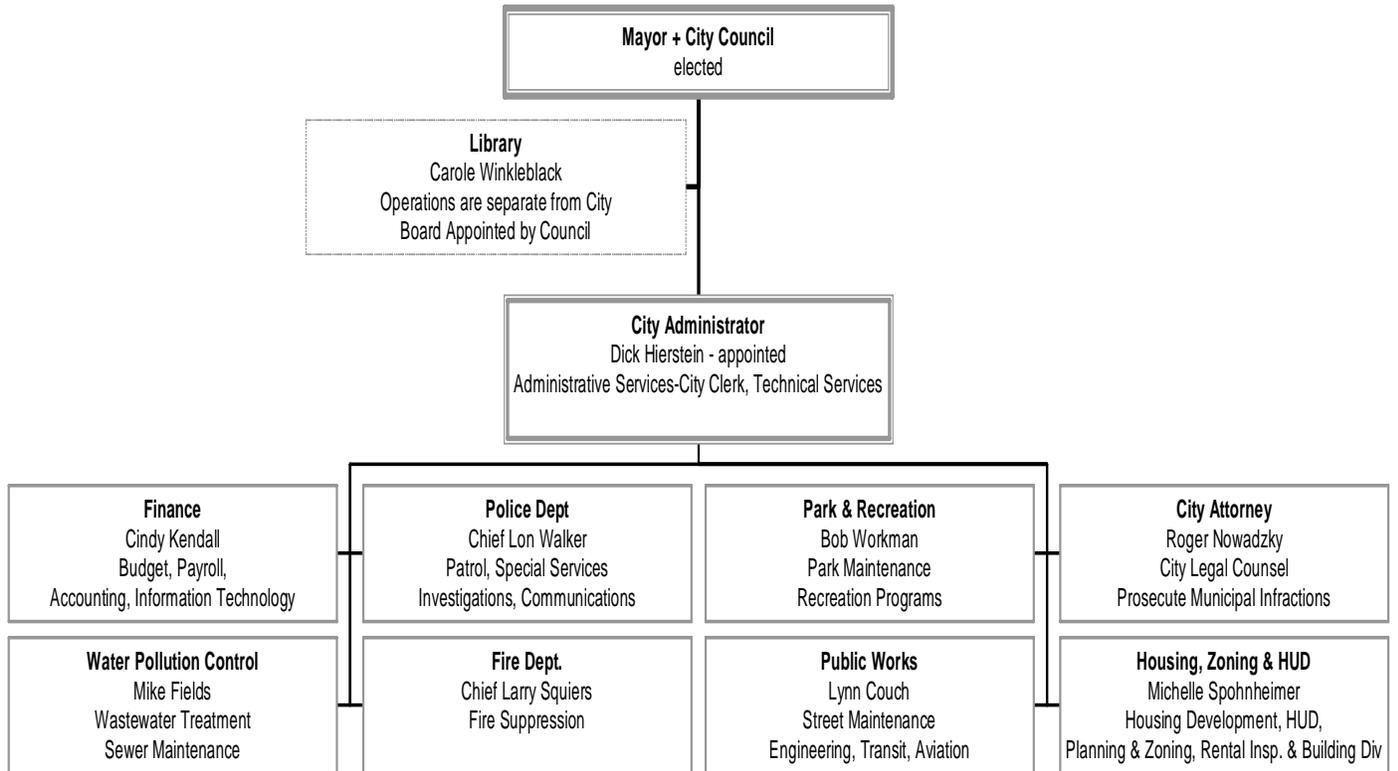
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# Marshalltown Organizational Chart 2007



**CITY OF MARSHALLTOWN, IOWA**  
**OFFICIALS**  
**JUNE 30, 2007**

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Name	Title	Term Expires
Elected officials:		
Gene Beach	Mayor	December 31, 2009
Bethany Wirin	Mayor Pro-tem	December 31, 2009
Laurel Phipps	Council Member	December 31, 2007
Robert Schubert	Council Member	December 31, 2009
Jeff Linton	Council Member	December 31, 2007
John Cahill	Council Member	Deceased mid term
William Backoff	Council Member	December 31, 2007
Robert Wenner	Council Member	December 31, 2009
Marla Grabenbauer	Council Member	December 31, 2009
Council-appointed officials:		
Dick Hierstein	City Administrator	October 30, 2009
City Administrator appointment with Council Approval:		
Roger Nowadzky	City Attorney	Indefinite
Shari Coughenhour	City Clerk	Indefinite
Cindy R. Kendall	Finance Director	Indefinite
Larry Squiers	Fire Chief	Indefinite
Michelle Spohnheimer	Housing Director	Indefinite
Bob Workman	Parks and Recreation Director	Indefinite
Lon Walker	Police Chief	Indefinite
John Phillips	Public Facilities Superintendent	Indefinite
Duane Greenwood	Public Works Director	January 5, 2007
Lynn Couch	Public Works Director	Indefinite
Mary Rund	Technical Services Coordinator	Indefinite
Mike Fields	Water Pollution Control Director	Indefinite

## **FINANCIAL SECTION**

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CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Marshalltown. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PEOPLE. PRINCIPLES. POSSIBILITIES.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 18 through 36, Marshalltown Water Works Supplemental Retirement Pension System Schedule on page 77, and budgetary comparison information on pages 78 through 80 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Marshalltown, Iowa. The introductory section, combining nonmajor fund financial statements, schedule of bond maturities, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Marshalltown. The combining nonmajor fund financial statements, schedule of bond maturities, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa  
January 29, 2008

## Management's Discussion & Analysis (MD&A)

The following is a narrative overview and analysis of the financial activities of the City of Marshalltown for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-12 of this report. We continue to add more comparison tables and graphs to the MD&A showing major variances in dollars and percent. Additional historical information can be found in the Statistical Section of this report supporting some of the analysis presented in this discussion and the transmittal letter.

### Financial Highlights of Primary Government

- Assets of the City of Marshalltown exceeded its liabilities at the close of the most recent fiscal year by \$61,174,303 (*net assets*) as compared to \$54,935,281 in the prior year.
- The City's total net assets increased by \$6,239,022. This increase is attributable primarily to the reduction of debt liabilities, the reduction in Public Works expenses while generating an increase in Capital Grants and Contributions. Other factors include the increase of the sewer user fees, new sewer customers and a number of large surcharges against large sewer users. The contributions of donations for the library and state funding also influenced the increase in net governmental assets.
- As of the close of the current fiscal year, the City of Marshalltown's governmental funds reported combined ending fund balances of \$11,772,075 an increase of \$1,457,633 in comparison with the prior year. This is a temporary increase contributed to the increase reserved fund balance to be used within the next two years for capital projects such as the library construction and various storm water and street projects.
- \$5,593,682 an increase of \$735,300 over last year's ending balance for governmental funds is available for spending at the City's discretion (*unreserved undesignated fund balance*). The Road Use Tax fund balance, for example, will be reduced over the next two years as larger resurfacing projects can be scheduled.
- The City's total debt decreased by \$2,812,190 during the current fiscal year. This change reflects the retirement of existing bonds. No additional notes or bonds were issued during this fiscal year. Due to the successful library referendum, \$5,000,000 will be scheduled for sale in the subsequent fiscal year. A number of existing issues are also eligible for refinancing which is anticipated in the third quarter of fiscal year 07-08.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Marshalltown's basic financial statements. The City of Marshalltown's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Transmittal Letter, submitted as part of the overall report, gives general information about the government and economic spirit of the community. Comparative data are now available for a comprehensive discussion of the City of Marshalltown's change in net assets. The City has also adopted GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries; Statement No. 44, Economic Condition Reporting; The Statistical Section: Statement No. 46, Net Assets Restricted by Enabling Legislation and Statement No. 47, Accounting for Termination Benefits.

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Marshalltown that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Marshalltown include public safety, public works (roads, utilities and traffic controls), health and social services, parks and recreation, library, economic development, general government administration and employee insurance. The business-type activities of the City of Marshalltown include compost, concessions, storm sewer, water pollution control and transportation activities.

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

The government-wide financial statements can be found on pages 37-39 of this report.

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

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

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

The City of Marshalltown maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. Major funds include General, Road Use Tax, Debt Service, HUD Programs and other capital project and special revenue funds. Data from the other seven non-major governmental funds are combined into a single, aggregated presentation in the governmental funds financial statements. Individual fund data on each of the non-major governmental funds is provided in the form of *combining statements* in the supplementary information section.

The City of Marshalltown adopts an annual appropriated budget for all funds as required by state statute. In Iowa, budgetary compliance is at the function level, transcending fund level accounting as demonstrated in this report. Budgetary comparison statements have been provided for the governmental and enterprise/proprietary fund levels. This comparison demonstrates the City's compliance with state requirements. This comparison can be found on pages 78-79 of this report.

The basic governmental fund financial statements can be found on pages 40-43 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Storm Sewer, Water Pollution Control and Non-major Enterprise funds, namely, Compost, Transit and Concession activities.

The basic proprietary fund financial statements can be found on pages 44-48 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* available to support the City of Marshalltown's own programs. The most significant fiduciary fund maintained by the City of Marshalltown is the payroll fund; which records the taxes collected for other taxing jurisdictions within the City of Marshalltown. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statements can be found on pages 49-50 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-76 of this report.

**Other information.** The *combining statements* referred to earlier in connection with non-major governmental and proprietary funds is presented immediately following the required supplementary information (RSI). Combining and individual fund statements and schedules can be found on pages 81-90 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Marshalltown, assets exceeded liabilities by \$61,174,303 at the close of the most recent fiscal year.

By far, the largest portion of the City of Marshalltown's net assets \$42,812,640 reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt. The City of Marshalltown uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Marshalltown's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF MARSHALLTOWN NET ASSETS**

**June 30, 2007**

**Governmental Activities**

	<u>FY 2006-07</u>	<u>FY 2005-06</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 23,596,453	\$ 20,677,455	\$ 2,918,998
Capital assets	34,678,646	33,287,545	1,391,101
	<hr/>	<hr/>	<hr/>
Total Assets	58,275,099	53,965,000	4,310,099
Current and other liabilities	10,083,100	9,161,816	921,284
Non-current liabilities	20,651,385	22,863,267	(2,211,882)
	<hr/>	<hr/>	<hr/>
Total Liabilities	30,734,485	32,025,083	(1,290,598)
Net assets:			
Invested in capital assets, net of related debt	14,837,533	10,902,193	3,935,340
Restricted	3,093,281	2,465,406	627,875
Unrestricted	9,609,800	8,572,318	1,037,482
	<hr/>	<hr/>	<hr/>
Total Net assets \$	<u>27,540,614</u>	<u>\$ 21,939,917</u>	<u>\$ 5,600,697</u>

**Business-type Activities**

	<u>FY 2006-07</u>	<u>FY 2005-06</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 5,962,272	\$ 5,276,462	\$ 685,810
Capital assets	34,136,107	35,013,324	(877,217)
	<hr/>	<hr/>	<hr/>
Total Assets	40,098,379	40,289,786	(191,407)
Current and other liabilities	159,349	191,547	(32,198)
Non-current liabilities	6,305,341	7,102,875	(797,534)
	<hr/>	<hr/>	<hr/>
Total Liabilities	6,464,690	7,294,422	(829,732)
Net assets:			
Invested in capital assets, net of related debt	27,975,107	28,081,324	(106,217)
Restricted	949,930	1,382,713	(432,783)
Unrestricted	4,708,652	3,531,327	1,177,325
	<hr/>	<hr/>	<hr/>
Total Net assets \$	<u>33,633,689</u>	<u>\$ 32,995,364</u>	<u>\$ 638,325</u>

<b>Total Net Assets</b>			
	<b>FY 2006-07</b>	<b>FY 2005-06</b>	<b>Increase (decrease)</b>
Current and other assets	\$ 29,558,725	\$ 25,953,917	\$ 3,604,808
Capital assets	68,814,753	68,300,869	513,884
Total Assets	<u>98,373,478</u>	<u>94,254,786</u>	4,118,692
Current and other liabilities	10,242,449	9,353,363	889,086
Non-current liabilities	26,956,726	29,966,142	(3,009,416)
Total Liabilities	<u>37,199,175</u>	<u>39,319,505</u>	(2,120,330)
Net assets:			
Invested in capital assets, net of related debt	42,812,640	38,983,517	3,829,123
Restricted	4,043,211	3,848,119	195,092
Unrestricted	14,318,452	12,103,645	2,214,807
Total Net assets	<u>\$ 61,174,303</u>	<u>\$ 54,935,281</u>	<u>\$ 6,239,022</u>

A portion of the City of Marshalltown's activities net assets (\$4,043,211) represents resources that are subject to external restrictions. Prior year comparison shows \$3,848,119, an increase of \$195,092. The remaining balance of unrestricted net assets (\$14,318,452) may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase in available net assets over 2005-2006 by \$2,214,807. At the end of the current fiscal year, the City of Marshalltown is able to report positive balances in all three categories of net assets, governmental, business-type activities, and total.

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

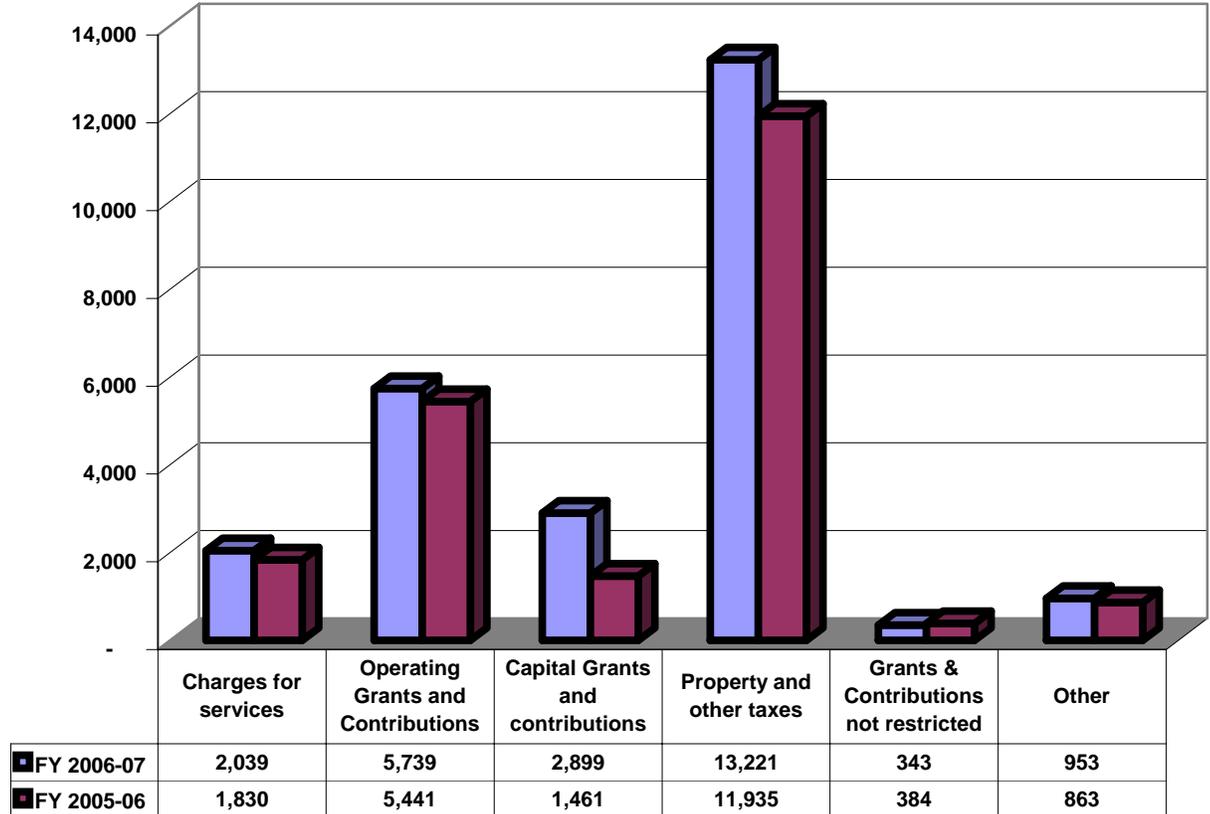
### City of Marshalltown Changes in Net Assets

<b>Governmental Activities</b>			
	<b>FY 2006-07</b>	<b>FY 2005-06</b>	<b>Increase (decrease)</b>
Revenues:			
Program Revenues:			
Charges for services	\$ 2,039,135	\$ 1,829,997	\$ 209,138
Operating Grants and Contributions	5,739,079	5,440,505	298,574
Capital Grants and contributions	2,898,828	1,461,418	1,437,410
General Revenues			
Property and other taxes	13,220,972	11,934,949	1,286,023
Grants & Contributions not restricted to specific programs	343,333	383,643	(40,310)
Other	953,165	863,196	89,969
Total Revenues	<u>25,194,512</u>	<u>21,913,708</u>	3,280,804

**Governmental Activities**

	<u>FY 2006-07</u>	<u>FY 2005-06</u>	<u>Increase (decrease)</u>
Expenses:			
Public safety	\$ 7,221,486	\$ 7,343,575	\$ (122,089)
Public works	4,002,011	3,938,080	63,931
Health and social services	1,404,277	1,361,077	43,200
Culture and recreation	2,477,842	2,893,559	(415,717)
Community and economic development	1,992,572	1,694,889	297,683
General government	1,271,344	1,028,482	242,862
Interest on long term debt	910,061	921,460	(11,399)
<b>Total expenses</b>	<b>19,279,593</b>	<b>19,181,122</b>	<b>98,471</b>
Increase (decrease) in net assets before transfers	5,914,919	2,732,586	3,182,333
Transfers	(314,222)	(145,235)	(168,987)
Increase (decrease) in net assets	5,600,697	2,587,351	3,013,346
Net Assets - beginning of year	21,939,917	19,352,566	2,587,351
Net assets - end of year	\$ <u>27,540,614</u>	\$ <u>21,939,917</u>	\$ <u>5,600,697</u>

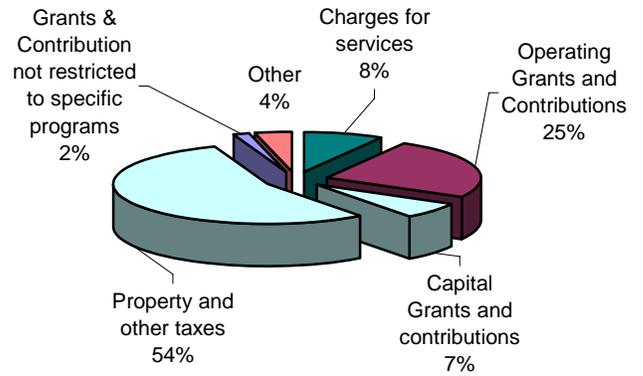
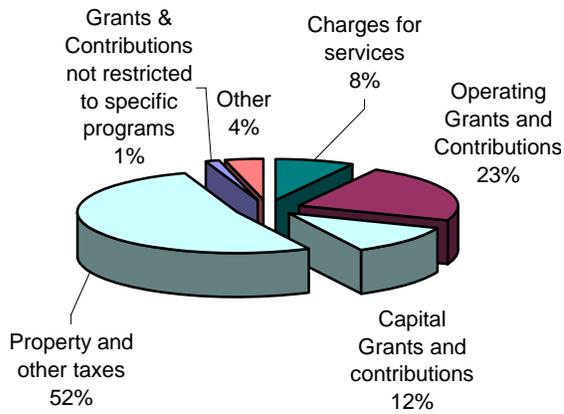
City of Marshalltown's Changes in Net Assets  
Governmental Activities-Revenues-Two Year Comparison  
(per \$1,000s)



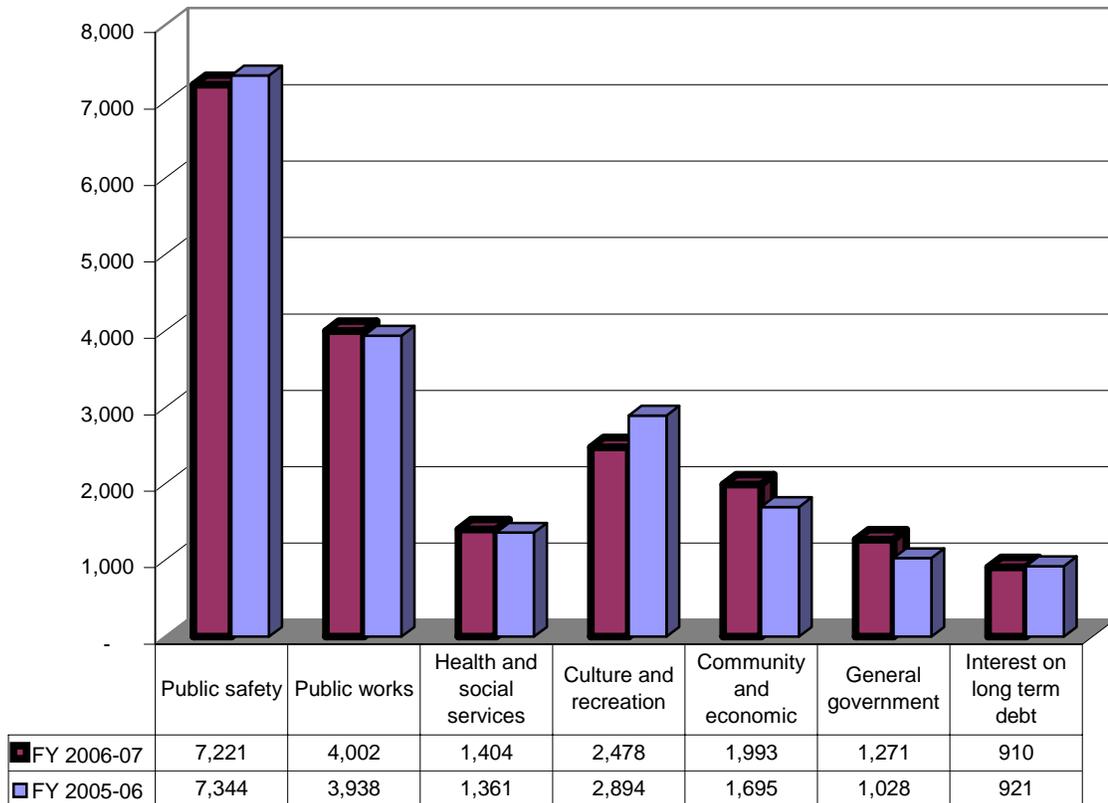
## Revenues as a Percent-Two Year Comparison

**2006-2007**

**2005-2006**

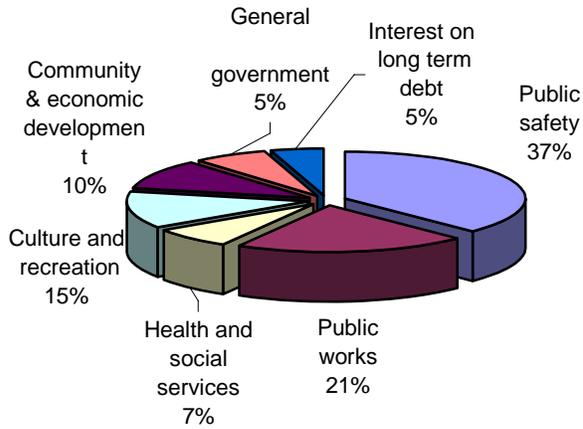


### City of Marshalltown's Changes in Net Assets Governmental Activities-Expenses-Two Year Comparison (per 1,000's)

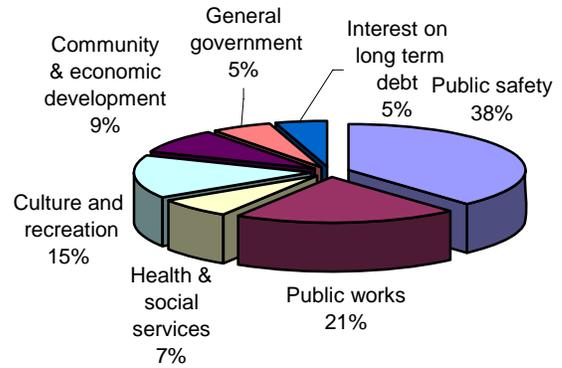


## Expenses as a Percent-Two Year Comparison

**2006-2007**



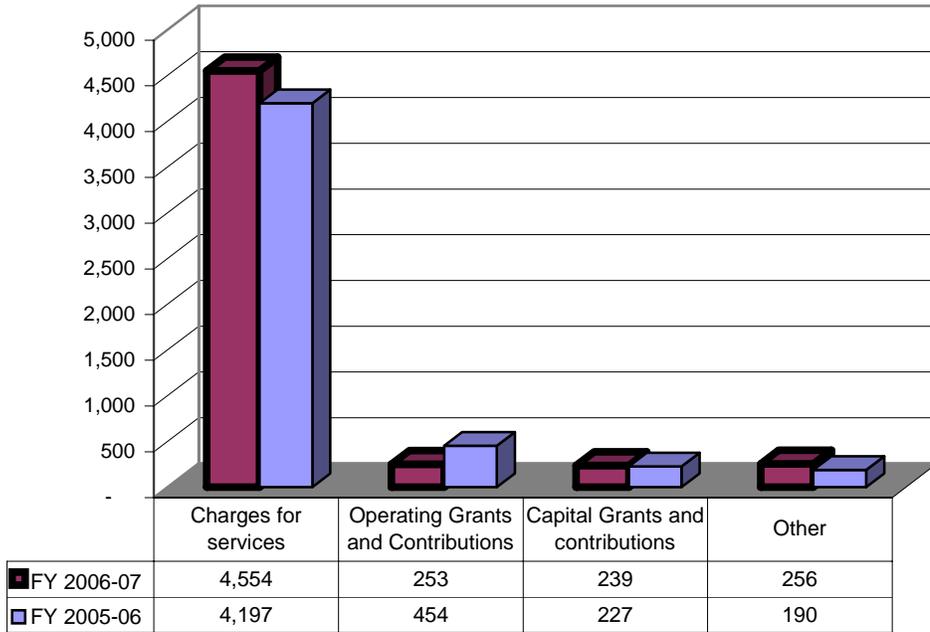
**2005-2006**



### Business-type Activities

	<u>FY 2006-07</u>	<u>FY 2005-06</u>	<u>Increase (decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 4,554,638	\$ 4,197,287	\$ 357,351
Operating Grants and Contributions	253,130	453,792	(200,662)
Capital Grants and contributions	239,065	227,315	11,750
General Revenues			
Other	255,923	190,147	65,776
Total Revenues	5,302,756	5,068,541	234,215
Expenses:			
Business type	4,978,653	5,057,496	(78,843)
Total expenses	4,978,653	5,057,496	(78,843)
Increase (decrease) in net assets before transfers	324,103	11,045	313,058
Transfers	314,222	145,235	168,987
Increase (decrease) in net assets	638,325	156,280	482,045
Net Assets - beginning of year	32,995,364	32,839,084	156,280
Net assets – end of year	\$ 33,633,689	\$ 32,995,364	\$ 638,325

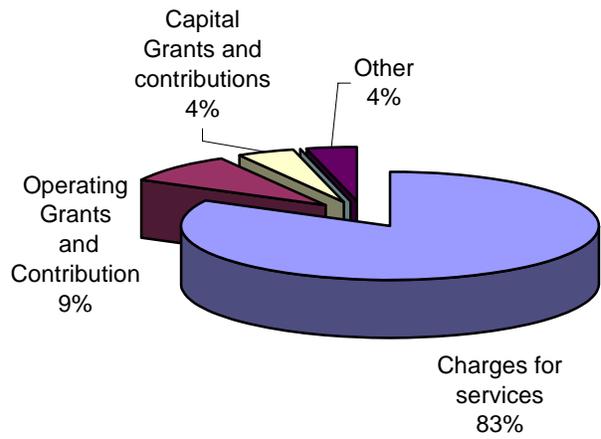
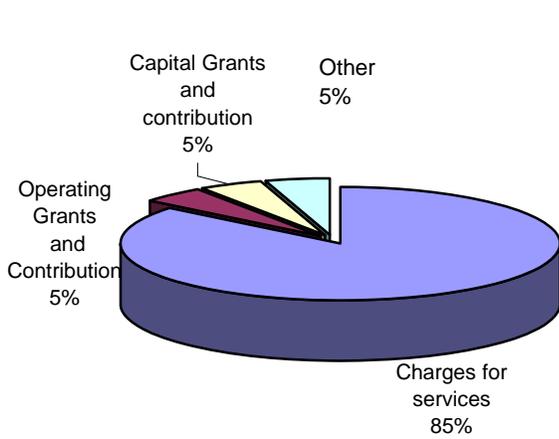
**City of Marshalltown's Changes in Net Assets  
Business-type – Revenues – Two Year Comparison  
(Stated in \$1,000s)**



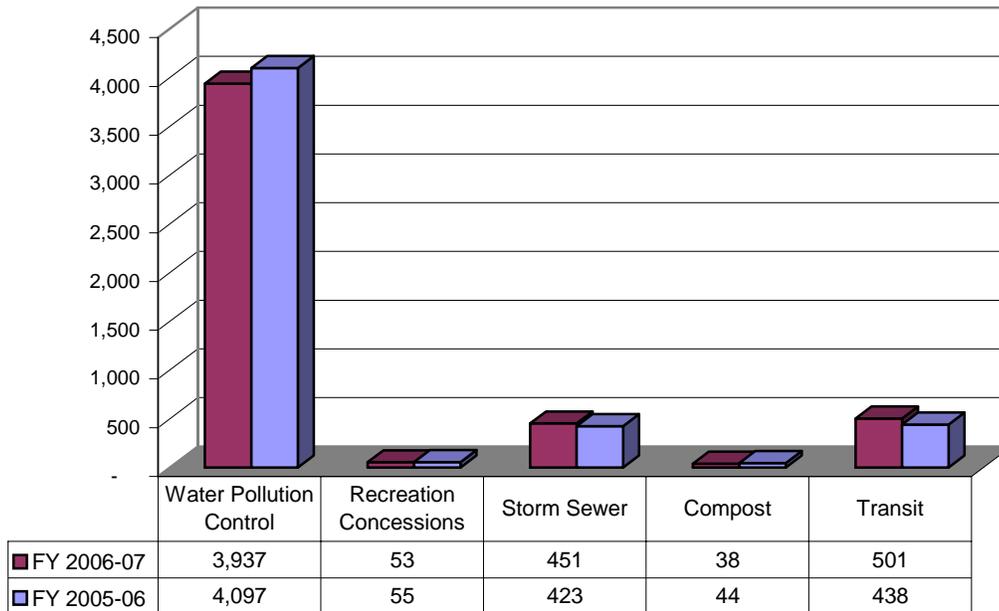
**Business-type Revenues as a Percent –Two Year Comparison**

**2006-2007**

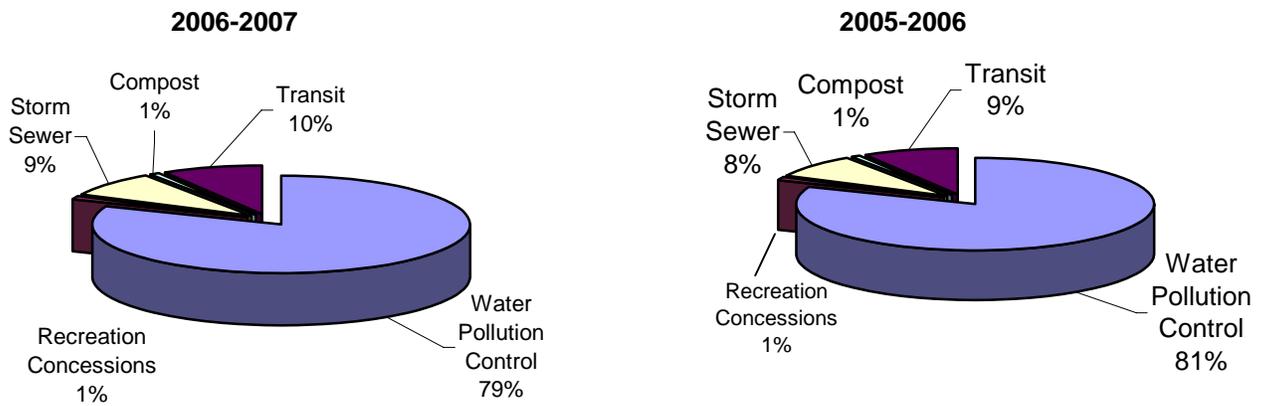
**2005-2006**



**City of Marshalltown's Changes in Net Assets  
Business-type –Expenses – Two Year Comparison  
(per \$1,000's)**



**Business-type Expenses as a Percent – Two Year Comparison**



### Total Governmental & Business-type Activities

	FY 2006-07	FY 2005-06	Increase (decrease)
Revenues:			
Program Revenues:			
Charges for services	\$ 6,593,773	\$ 6,027,284	\$ 566,489
Operating Grants and Contributions	5,992,209	5,894,297	97,912
Capital Grants and contributions	3,137,893	1,688,733	1,449,160
General Revenues			
Property and other taxes	13,220,972	11,934,949	1,286,023
Grants & Contributions not restricted to specific programs	343,333	383,643	(40,310)
Other	1,209,088	1,053,343	155,745
Total Revenues	30,497,268	26,982,249	3,515,019
Expenses:			
Public safety	7,221,486	7,343,575	(122,089)
Public works	4,002,011	3,938,080	63,931
Health and social services	1,404,277	1,361,077	43,200
Culture and recreation	2,477,842	2,893,559	(415,717)
Community and economic development	1,992,572	1,694,889	297,683
General government	1,271,344	1,028,482	242,862
Interest on long term debt	910,061	921,460	(11,399)
Business type	4,978,653	5,057,496	(78,843)
Total expenses	24,258,246	24,238,618	19,628
Increase (decrease) in net assets before transfers	6,239,022	2,743,631	3,495,391
Transfers	-	-	-
Increase (decrease) in net assets	6,239,022	2,743,631	3,495,391
Net Assets - beginning of year	54,935,281	52,191,650	2,743,631
Net assets - end of year	\$ 61,174,303	\$ 54,935,281	\$ 6,239,022

#### **Financial Analysis of the Government's Funds**

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

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

At the end of the current fiscal year, the City of Marshalltown's governmental funds reported a combined ending fund balance of \$11,772,075, an increase of \$1,457,633 in comparison with the prior year. Of this total amount \$8,394,090, an increase of \$851,264, is unreserved fund balance, which is available to meet the future financial needs of the City. \$1,933,116, an increase of \$104,297, is designated for future equipment and capital maintenance, future cash flow and landfill fees. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$285,262), 2) to fund various debt service payments (\$913,787), 3) for capital projects (\$1,759,937) and 4) a variety of other restricted purposes (\$418,999).

The General fund is the chief operating fund of the City of Marshalltown. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,201,762. \$279,185 has been designated by management for subsequent year's expenditures. The general fund's total fund balance was \$3,462,266, an increase of \$426,851 primarily as a result of the timing of expenditures and interest earned due to market changes. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27 percent of total general fund expenditures (\$11,919,765), while total fund balance represents 29 percent of the same amount. This is approximately a 2% improvement over 2005-2006.

The Road Use Tax fund is apportioned to the City from the state gasoline taxes based upon population. This fund is used for street related purposes only. Major street resurfacing and reconstruction are scheduled each year in the spring after the impact of winter weather can be determined. At the end of the current fiscal year, the ending fund balance of \$2,080,569 is a slight increase (\$441,677) compared to the prior year. Snow and ice removal are the greatest variable for this fund. Weather and market demand for gasoline and salt in Iowa has proven a negative influence during the peak snow season. Although there was some participation by FEMA in mitigating the effects of the February, 2007 ice storms, many of the departments were called from their regular duties to aid during the weeks of clean up and power outages. Fluctuations in gasoline prices are not as dramatic as once thought so future allocations should not be hampered.

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

The renewal of the Local Option Sales Tax referendum insures property tax relief (75%), storm sewer and other capital improvements (20%), and any project designated by the Council (5%) for the next nine years. Property tax relief dollars are transferred to other funds; therefore, the entire fund balance is reserved for capital projects. The increase in the balance this year (\$844,497) is due to revenues in excess of anticipation and pent up storm sewer projects.

The Tax Increment Financing (TIF) fund does not qualify as a major fund this year, but has been included in order to give the reader consistency for this very important revenue source. Major projects in this area included payment for the restoration of the Center Street Bridge, including historical lighting, part of the Main Street Restoration Project. General obligation bonds supported the rest of this project. A CDBG grant awarded during last fiscal year was matched with private and TIF funds. These funds were used to demolish an abandoned school to be replaced with housing units, putting property back onto the tax base and improving dilapidated neighborhoods. Additional TIF funding was pledged during this year for a Downtown façade program. To date one project was completed and another application is being reviewed.

A slight increase (\$43,049) in the Debt Service fund reflects interest earnings on idle funds. This fund will be used to defray debt related fees in the future.

Changes in the Public Works Capital Project funds were an increase of \$234,977 over last year. Major projects in this area include various capital street construction or reconstruction projects. The City has continued its policy to fund capital street projects with a special assessment formula increasing the participation of property owners that benefit directly by the improvements. Recreation and Cultural Capital projects funds are very active with the construction of the new public library. See the Letter of Transmittal for additional information on this project. The third capital project fund is for projects at the airport. With 95% federal funding, the City is using the Capital Improvement Levy to fund the match.

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

The ending net assets for the proprietary funds were \$33,633,689, a net asset increase of \$638,325.

## Budgetary Highlights

### General Fund

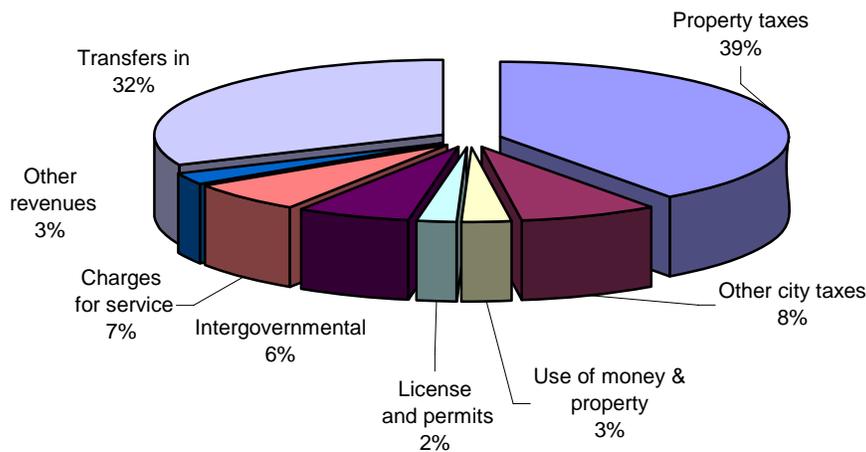
As demonstrated by the following schedule, the City continues to meet its responsibility for sound financial management. City management knew the City would have to continue to hold the line on operating expenditures as major changes were anticipated in its operations.

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

The following schedule presents a summary of General Fund revenues and transfers in on the GAAP basis for the fiscal year ended June 30, 2007, and the amount and percentage of increases and decreases

Revenues	FY 2006-07	Percentage of Total	FY 2005-06	Percentage of Total	Change	Percentage of Change
Property taxes	\$ 4,997,073	39.9%	\$ 4,633,501	40.0%	\$ 363,572	7.8%
Other city taxes	994,166	7.9%	976,233	8.4%	17,933	1.8%
Use of money & property	328,823	2.6%	270,319	2.3%	58,504	21.6%
License and permits	303,126	2.4%	289,329	2.5%	13,797	4.8%
Intergovernmental	779,658	6.2%	640,717	5.5%	138,941	21.7%
Charge for service	848,204	6.8%	816,617	7.1%	31,587	3.9%
Other revenues	317,937	2.5%	286,594	2.5%	31,343	10.9%
Transfers in	3,958,980	31.7%	3,668,034	31.7%	280,446	7.6%
<b>Total</b>	<b>12,527,967</b>	<b>100.0%</b>	<b>11,581,344</b>	<b>100.0%</b>	<b>936,123</b>	<b>8.1%</b>

### 2007 General Fund Revenues and Transfers



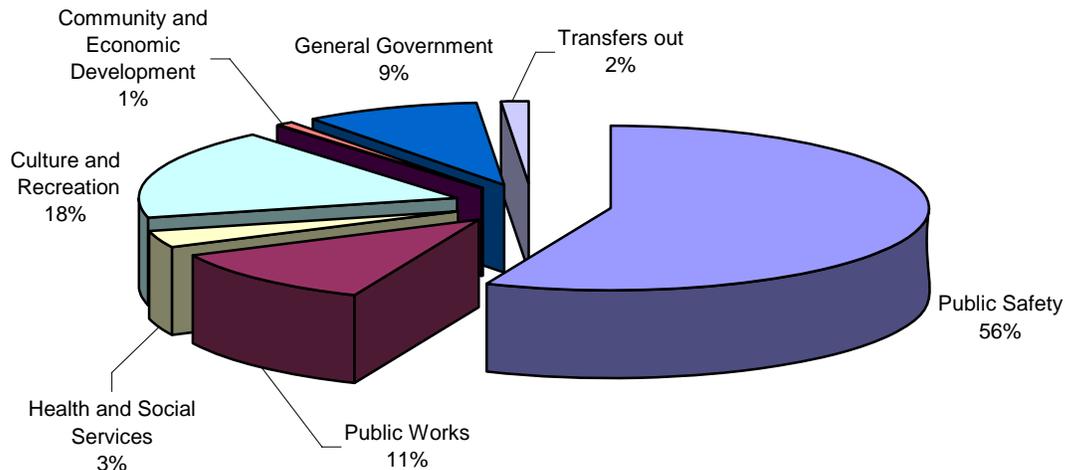
Current and prior year's property taxes continue to represent the largest revenue source, with \$5.0 million or 40% of all general fund revenues. The increase in property tax revenues from 2006 of \$363,572 is due to a modest increase in the taxable value of real estate. There was no increase in tax rate for this fiscal year within the general fund. The next largest revenue is Transfers In. All general fund employee benefits are reflected in the operating fund even though a transfer is required from the special revenue fund, which collects the tax. The increase in transfers reflects the increase in benefits such as retirement and group health insurance.

In the General Fund, a 22% increase in state grants and revenue sharing resulted in a \$138,941 increase in intergovernmental revenues. The revenue generated through interest earnings increase 21.6% due to market changes. Charges for services also increased \$31,587 or 3.9%, revenues that the City believes will continue in the future.

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

Expenditures	FY 2006-07	Percentage of Total	FY 2005-06	Percentage of Total	Change	Percentage of Change
Public Safety	\$ 6,830,710	56.4%	\$ 6,509,394	56.9%	\$ 321,316	4.9%
Public Works	1,374,000	11.3%	1,304,588	11.4%	69,412	5.3%
Health & Social Services	382,459	3.2%	321,504	2.8%	60,955	19.0%
Culture & Recreation	2,168,385	17.9%	2,085,898	18.2%	82,487	4.0%
Community & Economic Development	102,566	0.8%	92,609	0.8%	9,957	10.8%
General Government	1,061,645	8.8%	977,901	8.5%	83,744	8.6%
Transfers out	194,650	1.6%	155,735	1.4%	38,915	25.0%
<b>Total</b>	<b>12,114,415</b>	<b>100.0%</b>	<b>11,447,629</b>	<b>100.0%</b>	<b>666,786</b>	<b>5.8%</b>

### 2007 General Fund Expenditures and Transfers out



Negotiated wage increased an average of approximately 3% were part of multiyear contracts for all but one union. New emphasis has been put on community inspections and beautification, demonstrated with the 19% increase in this area. Benefit and utility expenses are responsible for some expenditure increases across all functions even though supplies, other than gasoline, were kept to a minimum. Current cash flow projections and the management's stability of the City's general fund balance provide continued assurance that the City will not need to enter the short-term debt market to pay for current expenditures now or in the foreseeable future.

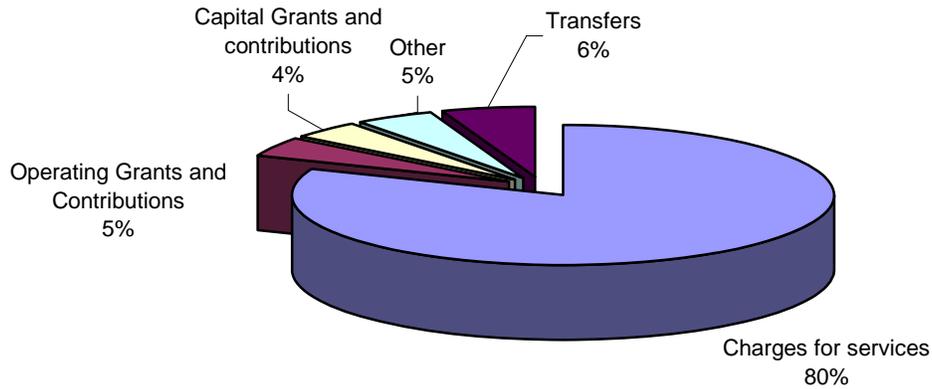
### **Enterprise Operations**

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

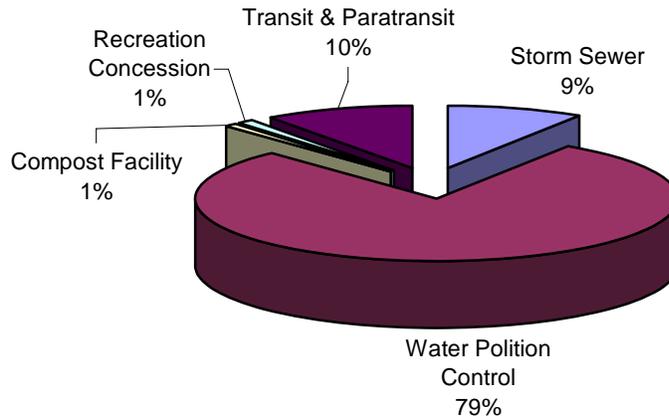
Operating revenues for the City's combined enterprise operations increased by \$346,900. This increase is primarily due to sanitary sewer fees. Transit revenues, decreased when compared to the prior year due to state and federal grants for equipment in 05-06. Total operating expenses for the combined enterprise operations decreased by \$56,300. The increase in net assets was due to the reduction of debt related interest expense, the addition in charges for services and the additional interest earned on idle funds.

Revenues	FY 06-07	Percentage of Total	FY 05-06	Percentage of Total	Change	Percentage of Total
<b>Operating Revenues</b>						
Charges for services	\$ 4,554,638	81.1%	\$ 4,197,287	80.5%	\$ 357,351	8.5%
Operating Grants and Contributions	253,130	4.5%	453,792	8.7%	(200,662)	-44.2%
Capital Grants and contributions	239,065	4.3%	227,315	4.4%	11,750	5.2%
<b>General Revenues</b>						
Other	255,923	4.6%	190,147	3.6%	65,776	34.6%
Transfers	314,222	5.5%	145,235	2.8%	168,987	116.4%
<b>Total Revenues and Transfers</b>	<b>\$ 5,616,978</b>	<b>100.0%</b>	<b>\$ 5,213,776</b>	<b>100.0%</b>	<b>\$ 403,202</b>	<b>7.7%</b>
<b>Business type Expenses</b>						
Storm Sewer	\$ 451,013	9.1%	\$ 423,426	8.4%	\$ 27,587	6.5%
Water Pollution Control	3,935,556	79.0%	4,096,849	81.0%	(161,293)	(3.9)%
Compost	37,472	.8%	44,066	.9%	(6,594)	(15.0)%
Recreation Concession	53,291	1.1%	54,725	1.1%	(1,434)	(2.6)%
Transit	501,321	10.0%	438,430	8.6%	62,891	14.3%
<b>Total Expenditures and Transfers</b>	<b>\$ 4,978,653</b>	<b>100.0%</b>	<b>\$ 5,057,496</b>	<b>100.0%</b>	<b>(78,843)</b>	<b>(1.6)%</b>

## Revenues - Enterprise Operations 2007



## Expenses Enterprise Operations 2007



### Capital Asset and Debt Administration

**Capital assets.** The City of Marshalltown's investment in capital assets for its governmental and business type activities as of June 30, 2007 amount to \$108,622,380. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways and sewers. The total increase in the City of Marshalltown's investment in capital assets for the current fiscal year was \$3,479,824.

City of Marshalltown's 2007 Capital Assets

Governmental Activities

	FY 2006-07	FY 2005-06	Increase (decrease)
Land and Improvements	4,625,929	4,125,886	500,043
Buildings and Structures	7,906,889	7,782,227	124,662
Equipment and vehicles	11,881,297	11,702,253	179,044
Infrastructure	28,984,109	28,157,149	826,960
Construction in Progress	1,687,625	150,281	1,537,344
<b>Total</b>	<b>55,085,849</b>	<b>51,917,796</b>	<b>3,168,053</b>

Business Type Activities

	FY 2006-07	FY 2005-06	Increase (decrease)
Land and Improvements	2,454,919	2,424,919	30,000
Buildings and Structures	11,167,092	11,150,623	16,469
Machinery and Equipment	13,250,576	13,361,327	(110,751)
Infrastructure, sewers & lift stations	26,470,417	26,268,761	201,656
Construction in Progress	193,527	19,130	174,397
<b>Total</b>	<b>53,536,531</b>	<b>53,224,760</b>	<b>311,771</b>

Total Governmental and Business Type Activities

	FY 2006-07	FY 2005-06	Increase (decrease)
Land and Improvements	7,080,848	6,550,805	530,043
Buildings and Structures	19,073,981	18,932,850	141,131
Machinery and Equipment	25,131,873	25,063,580	68,293
Infrastructure, sewers & lift stations	55,454,526	54,425,910	1,028,616
Construction in Progress	1,881,152	169,411	1,711,741
<b>Total</b>	<b>108,622,380</b>	<b>105,142,556</b>	<b>3,479,824</b>

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

- The City completed multi-year street improvements on Olive, Campbell and Clinton Streets
- Completion of the salt storage shed at the Public Works facility.
- Land was acquired and prepared for the Library building

Additional information on the City of Marshalltown's capital assets can be found on pages 62-64 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Marshalltown had total bonded debt outstanding of \$26,005,162. Of this amount, \$15,920,724 comprises debt backed by the full faith and credit of the City. The remainder of the City of Marshalltown's debt represents bonds secured solely by revenues generated from the sanitary sewer rental fees or revenues generated by tax increment.

General Obligation and Revenue Bonds  
(Stated in 1,000)

Governmental Activities

	FY 2006-07	FY 2005-06	Increase (decrease)
General obligation bonds and notes payable	15,921	17,590	(1,669)
Revenue bonds and notes payable	3,923	4,296	(373)
Total	19,844	21,886	(2,042)

Business Type Activities

	FY 2006-07	FY 2005-06	Increase (decrease)
General obligation bonds and notes payable	-	-	-
Revenue bonds and notes payable	6,161	6,932	(771)
Total	6,161	6,932	(771)

Total Governmental and Business Type Activities

	FY 2006-07	FY 2005-06	Increase (decrease)
General obligation bonds and notes payable	15,921	17,590	(1,669)
Revenue bonds and notes payable	10,084	11,228	(1,144)
Total	26,005	28,818	(2,813)

The City of Marshalltown's total bonded debt decreased by 10 percent during the current fiscal year due to:

- The normal retirement of existing debt
- Yearly retirement of a Tax Increment Bonds

The City of Marshalltown's bond rating of A2 was retained by Moody's for its general obligation and revenue bonds in March of 2004. The City anticipates requesting a rating in 2008 with the sale of \$5,000,000 in General Obligation Bonds for the Library.

State statues limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Marshalltown is \$57,878,117, which is significantly in excess of the City of Marshalltown's outstanding general obligation debt.

Additional information on the City of Marshalltown's long-term debt can be found in note 6 on pages 64-68 and in the long-term debt section of this report.

## **Economic Factors and Next Year's Budgets and Rates**

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

In adopting the budget for the ensuing fiscal year 2008, the City officials considered many factors in making decisions and estimates about the finances of the upcoming year. Interest earnings and sales taxes collected by the state are increasing but the forecast is to maintain a conservative projection for these revenue sources. The statewide police and fire retirement system is decreasing the City's contribution by almost seven percent reflecting the recovery from reduced interest earnings and contributions from the State. The construction of a new library, reconstruction and modernization of college facilities and retrofits to some of the downtown buildings indicate a busy year for the construction industry in our region. A primary objective of the Council was to continue to provide basic city services to the citizens while attempting to keep the property tax rate substantially the same. The Council reaffirmed their goals towards a stronger emphasis on customer service and community cleanup. With those goals in mind and the major initiatives passed by the various referendums, the following items are forefront in revenue and expenditure projections:

- The City will issue general obligation debt during the next year for construction of the new library
- The high cost of lumber and steel continues to be a concern for the various capital construction projects planned throughout the community
- The City's contribution rate for Police and Fire retirement system has decreased however due to changes in the housing market this trend may not continue
- All City employees covered by the IPERS retirement system will experience a half of a percent increase in contribution (both employer and employee)
- The use of special assessments for street improvements will extend the City's investment in infrastructure
- The cost of health care continues to rise. Cost containment and changes in the City's plan have curbed the drain on the plan due to bad claims in 2006 and early 2007.
- Developments in commercial and industrial ventures will positively impact the tax base and sales tax revenues within the next two years. The Alliant Electric Utilities announcement for a proposed power plant will have significant impact on the community in the areas of housing, employment, and construction. These developments should not have an adverse impact on City utilities. For more information on this announcement please refer to the Transmittal Letter found on pages 1-12 of this report.

## **Requests for Information**

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

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Assets					
Cash and cash equivalents	\$ 12,089,533	\$ 3,896,806	\$ 15,986,339	\$ 1,698,510	\$ 123,357
Receivables					
Property taxes					
Delinquent	149,706	-	149,706	-	-
Succeeding year	8,143,010	-	8,143,010	-	-
Accounts and unbilled usage	1,152,933	688,618	1,841,551	286,789	-
Interest	96,538	46,329	142,867	5,956	-
Internal balances	(1,978)	1,978	-	-	-
Due from component unit	-	227,053	227,053	-	-
Due from other governments	1,711,958	2,576	1,714,534	-	-
Inventories	-	44,219	44,219	-	-
Prepaid items	171,445	56,964	228,409	86,907	414
Deferred charges					
Bond issuance costs	80,025	35,563	115,588	1,278	-
Deferred amount on refunding	-	10,812	10,812	-	-
Bond discount	3,283	1,424	4,707	-	-
Restricted assets					
Cash and cash equivalents	-	949,930	949,930	107,341	-
Capital assets					
Land	3,237,855	575,024	3,812,879	1,113,721	-
Land improvements	1,388,074	1,879,895	3,267,969	-	-
Buildings and structures	7,906,889	11,167,092	19,073,981	9,332,793	-
Equipment and vehicles	11,881,297	13,250,576	25,131,873	2,362,658	73,220
Sanitary sewers and lift stations	-	15,578,528	15,578,528	-	-
Infrastructure	28,984,109	10,891,889	39,875,998	8,710,894	-
Construction in progress	1,687,625	193,527	1,881,152	-	-
Accumulated depreciation	(20,407,203)	(19,400,424)	(39,807,627)	(10,016,150)	(25,816)
Total assets	<u>58,275,099</u>	<u>40,098,379</u>	<u>98,373,478</u>	<u>13,690,697</u>	<u>171,175</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS (continued)**  
**JUNE 30, 2007**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
<b>Liabilities</b>					
Accounts payable	\$ 1,556,116	\$ 82,347	\$ 1,638,463	\$ 78,613	\$ 4,376
Accrued payroll and payroll benefits	199,421	33,636	233,057	19,153	1,380
Retainage payable	38,819	-	38,819	-	-
Unearned revenue					
Succeeding year property tax	8,143,010	-	8,143,010	-	-
Premium on bonds sold	10,787	5,365	16,152	-	-
Due to other governments	65,204	21,637	86,841	-	-
Accrued interest payable	69,743	16,364	86,107	-	-
Due to primary government	-	-	-	227,053	-
Liabilities payable from restricted assets					
Customer deposits	-	-	-	107,774	-
<b>Noncurrent liabilities</b>					
Due within one year					
Bonds and notes payable	1,763,840	566,000	2,329,840	365,000	-
Urban renewal tax increment revenue bonds and notes payable	388,438	-	388,438	-	-
Compensated absences payable	231,356	24,942	256,298	68,162	-
Due in more than one year					
Bonds and notes payable	14,156,884	5,595,000	19,751,884	-	-
Urban renewal tax increment revenue bonds and notes payable	3,535,000	-	3,535,000	-	-
Compensated absences payable	575,867	119,399	695,266	-	-
Total liabilities	<u>30,734,485</u>	<u>6,464,690</u>	<u>37,199,175</u>	<u>865,755</u>	<u>5,756</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	14,837,533	27,975,107	42,812,640	11,138,916	47,404
Restricted for					
Capital projects	1,759,937	-	1,759,937	-	-
Improvements	-	250,000	250,000	-	-
Community and economic development	416,398	-	416,398	-	-
Debt service	914,345	699,930	1,614,275	216,633	-
Parks, nonexpendable	2,601	-	2,601	-	-
Unrestricted	<u>9,609,800</u>	<u>4,708,652</u>	<u>14,318,452</u>	<u>1,469,393</u>	<u>118,015</u>
Total net assets	<u>\$ 27,540,614</u>	<u>\$ 33,633,689</u>	<u>\$ 61,174,303</u>	<u>\$ 12,824,942</u>	<u>\$ 165,419</u>

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities				
Public safety	\$ 7,221,486	\$ 550,576	\$ 647,652	\$ -
Public works	4,002,011	663,753	2,242,234	1,416,486
Health and social services	1,404,277	68,541	953,423	-
Culture and recreation	2,477,842	488,282	98,227	1,482,342
Community and economic development	1,992,572	184,928	1,797,543	-
General government	1,271,344	83,055	-	-
Interest on long-term debt	910,061	-	-	-
Total governmental activities	<u>19,279,593</u>	<u>2,039,135</u>	<u>5,739,079</u>	<u>2,898,828</u>
Business-type activities				
Storm sewer	451,013	334,058	-	83,187
Water pollution control	3,935,556	4,051,010	96	145,537
Compost	37,472	22,405	-	-
Concessions	53,291	61,732	-	-
Transit	501,321	85,433	253,034	10,341
Total business-type activities	<u>4,978,653</u>	<u>4,554,638</u>	<u>253,130</u>	<u>239,065</u>
Total primary government	<u>\$ 24,258,246</u>	<u>\$ 6,593,773</u>	<u>\$ 5,992,209</u>	<u>\$ 3,137,893</u>
<b>Component units</b>				
Water works	\$ 2,831,734	\$ 2,953,968	\$ -	\$ -
Convention and tourism	154,566	185,485	-	-
Total component units	<u>\$ 2,986,300</u>	<u>\$ 3,139,453</u>	<u>\$ -</u>	<u>\$ -</u>
<b>General Revenues</b>				
Taxes				
Property				
Tax increment financing				
Local option sales				
Utility excise				
Hotel/motel				
Mobile homes				
Unrestricted				
State generated revenues				
Investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
\$ (6,023,258)	\$ -	\$ (6,023,258)	\$ -	\$ -
320,462	-	320,462	-	-
(382,313)	-	(382,313)	-	-
(408,991)	-	(408,991)	-	-
(10,101)	-	(10,101)	-	-
(1,188,289)	-	(1,188,289)	-	-
(910,061)	-	(910,061)	-	-
<u>(8,602,551)</u>	<u>-</u>	<u>(8,602,551)</u>	<u>-</u>	<u>-</u>
-	(33,768)	(33,768)	-	-
-	261,087	261,087	-	-
-	(15,067)	(15,067)	-	-
-	8,441	8,441	-	-
-	(152,513)	(152,513)	-	-
-	68,180	68,180	-	-
<u>\$ (8,602,551)</u>	<u>\$ 68,180</u>	<u>\$ (8,534,371)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 122,234	\$ -
-	-	-	-	30,919
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,234</u>	<u>\$ 30,919</u>
\$ 7,523,858	\$ -	\$ 7,523,858	\$ -	\$ -
1,795,068	-	1,795,068	-	-
2,818,990	-	2,818,990	-	-
868,036	-	868,036	-	-
199,910	-	199,910	-	-
15,110	-	15,110	-	-
343,333	-	343,333	-	-
655,348	255,923	911,271	91,701	25,288
297,817	-	297,817	-	-
(314,222)	314,222	-	-	-
<u>14,203,248</u>	<u>570,145</u>	<u>14,773,393</u>	<u>91,701</u>	<u>25,288</u>
5,600,697	638,325	6,239,022	213,935	56,207
<u>21,939,917</u>	<u>32,995,364</u>	<u>54,935,281</u>	<u>12,611,007</u>	<u>109,212</u>
<u>\$ 27,540,614</u>	<u>\$ 33,633,689</u>	<u>\$ 61,174,303</u>	<u>\$ 12,824,942</u>	<u>\$ 165,419</u>

**CITY OF MARSHALLTOWN, IOWA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
<b>Assets</b>				
Cash and cash equivalents	\$ 2,386,361	\$ 2,173,071	\$ 503,998	\$ 1,677,667
Receivables				
Property taxes				
Delinquent	78,187	-	-	-
Succeeding year	5,423,254	-	-	-
Accounts and unbilled usage	268,382	-	38,282	-
Interest	27,859	-	-	25,392
Due from other funds	836,593	-	3,309	-
Due from other governments	326,141	178,085	60,183	413,074
Prepaid items	260,504	2,390	6,854	-
Total assets	<u>\$ 9,607,281</u>	<u>\$ 2,353,546</u>	<u>\$ 612,626</u>	<u>\$ 2,116,133</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 140,754	\$ 149,668	\$ 88,983	\$ 38,473
Accrued payroll and payroll benefits	190,842	-	5,384	-
Retainage payable	-	-	-	7,918
Deferred revenue				
Succeeding year property tax	5,423,254	-	-	-
Other	298,157	-	95,007	-
Due to other governments	65,204	-	-	-
Due to other funds	26,804	123,309	-	309,805
Total liabilities	<u>6,145,015</u>	<u>272,977</u>	<u>189,374</u>	<u>356,196</u>
<b>Fund balances</b>				
Reserved for				
Prepaid items	260,504	2,390	6,854	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Community and economic development	-	-	416,398	-
Capital projects	-	-	-	1,759,937
Unreserved, designated for				
Future equipment and capital maintenance	52,207	-	-	-
Future cash flow	1,653,931	-	-	-
Future landfill fees	226,978	-	-	-
Unreserved, undesignated	1,268,646	2,078,179	-	-
Unreserved, reported in nonmajor				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>3,462,266</u>	<u>2,080,569</u>	<u>423,252</u>	<u>1,759,937</u>
Total liabilities and fund balances	<u>\$ 9,607,281</u>	<u>\$ 2,353,546</u>	<u>\$ 612,626</u>	<u>\$ 2,116,133</u>

See notes to financial statements.

Tax Increment Financing	Property Tax	Debt Service	Capital Projects Funds		Total
			Public Works and Other Projects	Other Governmental Funds	
\$ 1,667,683	\$ 558,056	\$ 254,794	\$ 1,141,466	\$ 604,186	\$ 10,967,282
30,693	10,387	23,446	6,993	-	149,706
-	533,016	1,769,728	417,012	-	8,143,010
-	-	-	91,154	755,115	1,152,933
14,707	6,816	-	7,025	3,344	85,143
-	309,805	-	882,324	369,624	2,401,655
44,704	1,619	3,487	181,677	500,935	1,709,905
-	-	-	-	15,514	285,262
<u>\$ 1,757,787</u>	<u>\$ 1,419,699</u>	<u>\$ 2,051,455</u>	<u>\$ 2,727,651</u>	<u>\$ 2,248,718</u>	<u>\$ 24,894,896</u>
\$ 632	\$ -	\$ -	\$ 188,933	\$ 610,809	\$ 1,218,252
-	-	-	-	3,195	199,421
-	-	-	-	30,901	38,819
-	533,016	1,769,728	417,012	-	8,143,010
558	83	172	263,908	402,564	1,060,449
-	-	-	-	-	65,204
<u>1,124,365</u>	<u>389,982</u>	<u>-</u>	<u>107,559</u>	<u>315,842</u>	<u>2,397,666</u>
<u>1,125,555</u>	<u>923,081</u>	<u>1,769,900</u>	<u>977,412</u>	<u>1,363,311</u>	<u>13,122,821</u>
-	-	-	-	15,514	285,262
632,232	-	281,555	-	-	913,787
-	-	-	-	2,601	2,601
-	-	-	-	-	416,398
-	-	-	-	-	1,759,937
-	-	-	-	-	52,207
-	-	-	-	-	1,653,931
-	-	-	-	-	226,978
-	496,618	-	1,750,239	-	5,593,682
-	-	-	-	682,031	682,031
-	-	-	-	185,261	185,261
<u>632,232</u>	<u>496,618</u>	<u>281,555</u>	<u>1,750,239</u>	<u>885,407</u>	<u>11,772,075</u>
<u>\$ 1,757,787</u>	<u>\$ 1,419,699</u>	<u>\$ 2,051,455</u>	<u>\$ 2,727,651</u>	<u>\$ 2,248,718</u>	<u>\$ 24,894,896</u>

**CITY OF MARSHALLTOWN, IOWA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

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Total governmental fund balances \$ 11,772,075

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

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

The cost of capital assets is	\$ 55,085,849	
Accumulated depreciation is	<u>(20,407,203)</u>	
		34,678,646

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

Property tax revenue	11	
Mobile home taxes	920	
Intergovernmental revenue	823,964	
Charges for service	<u>235,554</u>	
		1,060,449

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

678,051

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

Those liabilities consist of:

Long-term debt, net of deferrals	(19,771,641)	
Accrued interest on the bonds	(69,743)	
Compensated absences	<u>(807,223)</u>	
		<u>(20,648,607)</u>

Net assets of governmental activities \$ 27,540,614

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
<b>Revenues</b>				
Property taxes	\$ 4,997,073	\$ -	\$ -	\$ -
TIF revenues	-	-	-	-
Other city taxes	994,166	-	-	2,818,990
Use of money and property	328,823	-	12,916	81,917
Licenses and permits	303,126	-	-	-
Intergovernmental	779,658	2,176,219	2,509,810	-
Charges for service	848,204	-	1,680	-
Special assessments	-	-	-	-
Miscellaneous	317,937	-	66,079	-
Total revenues	<u>8,568,987</u>	<u>2,176,219</u>	<u>2,590,485</u>	<u>2,900,907</u>
<b>Expenditures</b>				
Current				
Public safety	6,830,710	-	-	12,401
Public works	1,374,000	908,293	-	236,148
Health and social services	382,459	-	1,038,555	-
Culture and recreation	2,168,385	-	-	-
Community and economic development	102,566	-	1,477,480	-
General government	1,047,805	-	-	-
Debt service				
Principal	13,840	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>11,919,765</u>	<u>908,293</u>	<u>2,516,035</u>	<u>248,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,350,778)</u>	<u>1,267,926</u>	<u>74,450</u>	<u>2,652,358</u>
<b>Other financing sources (uses)</b>				
Sale of governmental assets	13,299	-	-	-
Transfers in	3,958,980	-	32,055	-
Transfers out	(194,650)	(826,249)	-	(1,807,861)
Total other financing sources (uses)	<u>3,777,629</u>	<u>(826,249)</u>	<u>32,055</u>	<u>(1,807,861)</u>
Net change in fund balances	426,851	441,677	106,505	844,497
Fund balances - beginning	<u>3,035,415</u>	<u>1,638,892</u>	<u>316,747</u>	<u>915,440</u>
Fund balances - ending	<u>\$ 3,462,266</u>	<u>\$ 2,080,569</u>	<u>\$ 423,252</u>	<u>\$ 1,759,937</u>

See notes to financial statements.

Tax Increment Financing	Property Tax	Debt Service	Capital Projects Funds		Other Governmental Funds	Total
			Public Works and Other Projects			
\$ -	\$ 657,771	\$ 1,485,442	\$ 385,864	\$ -	\$ -	\$ 7,526,150
1,795,068	-	-	-	-	-	1,795,068
-	78,450	162,631	46,021	277,194	-	4,377,452
86,555	19,499	37,063	71,833	50,385	-	688,991
-	-	-	-	-	-	303,126
251,725	30,023	63,673	17,612	277,897	-	6,106,617
-	-	-	119	59,100	-	909,103
-	-	-	206,193	317	-	206,510
19,500	-	-	6,107	1,350,747	-	1,760,370
<u>2,152,848</u>	<u>785,743</u>	<u>1,748,809</u>	<u>733,749</u>	<u>2,015,640</u>		<u>23,673,387</u>
-	7,431	-	-	423,653	-	7,274,195
10,814	-	-	778,930	389,065	-	3,697,250
-	-	-	-	-	-	1,421,014
-	-	-	-	1,410,711	-	3,579,096
430,568	-	-	-	3,379	-	2,013,993
-	-	-	82,404	-	-	1,130,209
-	-	-	-	-	-	-
372,350	-	1,655,000	-	-	-	2,041,190
199,423	-	732,858	-	-	-	932,281
<u>1,013,155</u>	<u>7,431</u>	<u>2,387,858</u>	<u>861,334</u>	<u>2,226,808</u>		<u>22,089,228</u>
<u>1,139,693</u>	<u>778,312</u>	<u>(639,049)</u>	<u>(127,585)</u>	<u>(211,168)</u>		<u>1,584,159</u>
-	-	-	-	-	-	13,299
-	1,752,861	682,098	771,268	399,622	-	7,596,884
<u>(1,505,907)</u>	<u>(2,791,639)</u>	<u>-</u>	<u>(408,706)</u>	<u>(201,697)</u>		<u>(7,736,709)</u>
<u>(1,505,907)</u>	<u>(1,038,778)</u>	<u>682,098</u>	<u>362,562</u>	<u>197,925</u>		<u>(126,526)</u>
(366,214)	(260,466)	43,049	234,977	(13,243)	-	1,457,633
998,446	757,084	238,506	1,515,262	898,650	-	10,314,442
<u>\$ 632,232</u>	<u>\$ 496,618</u>	<u>\$ 281,555</u>	<u>\$ 1,750,239</u>	<u>\$ 885,407</u>		<u>\$ 11,772,075</u>

**CITY OF MARSHALLTOWN, IOWA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF**  
**ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

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Net change in fund balances – total governmental funds \$ 1,457,633

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

Capital outlays are reported as expenditures in governmental funds.

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

In the current period, these amounts are:

Capital outlay	\$	2,351,022	
Book value of disposals		(3,253)	
Capital contributions		1,057,859	
Depreciation expense		<u>(2,014,527)</u>	
Net change in capital assets			1,391,101

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

Property taxes		(2,292)	
Mobile home taxes		456	
Intergovernmental		417,432	
Charges for services		<u>(3,235)</u>	
Net effect			412,361

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

Debt repayments			2,041,190
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Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

These activities consist of:

Decrease in accrued interest and bond issuance costs amortized		6,503	
Decrease in compensated absences		<u>170,692</u>	
Total additional expenses			177,195

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

Change in net assets of governmental activities		<u>\$ 5,600,697</u>	
See notes to financial statements.			43

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 3,174,362	\$ 284,967	\$ 437,477	\$ 3,896,806	\$ 1,122,251
Receivables					
Accounts and unbilled usage	631,605	54,629	2,384	688,618	-
Interest	40,517	3,078	2,734	46,329	11,397
Due from other funds	-	-	1,978	1,978	-
Due from component unit	227,053	-	-	227,053	-
Due from other governments	-	-	2,576	2,576	2,051
Inventories	41,542	-	2,677	44,219	-
Prepaid items	36,968	8,469	11,527	56,964	24,524
Deferred charges					
Bond issuance costs	35,563	-	-	35,563	-
Deferred amount on refunding	10,812	-	-	10,812	-
Bond discount	1,424	-	-	1,424	-
Total current assets	<u>4,199,846</u>	<u>351,143</u>	<u>461,353</u>	<u>5,012,342</u>	<u>1,160,223</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	949,930	-	-	949,930	-
Capital assets					
Land	364,920	199,667	10,437	575,024	-
Land improvements	1,606,799	30,000	243,096	1,879,895	-
Buildings and structures	10,457,044	6,000	704,048	11,167,092	-
Equipment and vehicles	12,381,523	105,999	763,054	13,250,576	-
Sanitary sewers and lift stations	15,549,084	29,444	-	15,578,528	-
Infrastructure	-	10,891,889	-	10,891,889	-
Construction in progress	-	193,527	-	193,527	-
Accumulated depreciation	<u>(16,201,028)</u>	<u>(2,536,694)</u>	<u>(662,702)</u>	<u>(19,400,424)</u>	<u>-</u>
Total noncurrent assets	<u>25,108,272</u>	<u>8,919,832</u>	<u>1,057,933</u>	<u>35,086,037</u>	<u>-</u>
Total assets	<u>29,308,118</u>	<u>9,270,975</u>	<u>1,519,286</u>	<u>40,098,379</u>	<u>1,160,223</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS (continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 65,770	\$ 3,164	\$ 13,413	\$ 82,347	\$ 337,864
Accrued payroll and payroll benefits	22,790	3,549	7,297	33,636	-
Unearned revenue	-	-	-	-	138,341
Premium on bonds sold	5,365	-	-	5,365	-
Due to other governments	21,637	-	-	21,637	-
Due to other funds	-	-	-	-	5,967
Accrued interest payable	16,364	-	-	16,364	-
Compensated absences	18,676	3,508	2,758	24,942	-
Sewer revenue capital loan note	306,000	-	-	306,000	-
Revenue bonds	260,000	-	-	260,000	-
Total current liabilities	<u>716,602</u>	<u>10,221</u>	<u>23,468</u>	<u>750,291</u>	<u>482,172</u>
Noncurrent liabilities					
Compensated absences	97,268	13,477	8,654	119,399	-
Sewer revenue capital loan note	4,040,000	-	-	4,040,000	-
Revenue bonds	1,555,000	-	-	1,555,000	-
Total noncurrent liabilities	<u>5,692,268</u>	<u>13,477</u>	<u>8,654</u>	<u>5,714,399</u>	<u>-</u>
Total liabilities	<u>6,408,870</u>	<u>23,698</u>	<u>32,122</u>	<u>6,464,690</u>	<u>482,172</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	17,997,342	8,919,832	1,057,933	27,975,107	-
Restricted net assets for					
Bond and interest payments	699,930	-	-	699,930	-
Improvements	250,000	-	-	250,000	-
Unrestricted	3,951,976	327,445	429,231	4,708,652	678,051
Total net assets	<u>\$ 22,899,248</u>	<u>\$ 9,247,277</u>	<u>\$ 1,487,164</u>	<u>\$ 33,633,689</u>	<u>\$ 678,051</u>

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Operating revenues					
Charges for service	\$ 3,923,869	\$ 334,058	\$ 190,901	\$ 4,448,828	\$ 1,858,727
Miscellaneous	95,359	-	-	95,359	376,777
Total operating revenues	<u>4,019,228</u>	<u>334,058</u>	<u>190,901</u>	<u>4,544,187</u>	<u>2,235,504</u>
Operating expenses					
Salaries and benefits	1,101,678	146,364	300,969	1,549,011	3,175
Services and supplies	1,361,084	76,960	196,523	1,634,567	13,293
Claims paid	21,668	-	-	21,668	1,782,128
Health insurance premiums	-	-	-	-	231,153
Depreciation	1,188,396	227,689	94,592	1,510,677	-
Miscellaneous	-	-	-	-	122,384
Total operating expenses	<u>3,672,826</u>	<u>451,013</u>	<u>592,084</u>	<u>4,715,923</u>	<u>2,152,133</u>
Operating income (loss)	<u>346,402</u>	<u>(116,955)</u>	<u>(401,183)</u>	<u>(171,736)</u>	<u>83,371</u>
Nonoperating revenues (expenses)					
Federal and state grants	96	-	253,034	253,130	-
Interest income	228,888	10,674	16,361	255,923	37,846
Miscellaneous income	31,782	-	-	31,782	-
Interest and other debt expense	(246,351)	-	-	(246,351)	-
Loss on disposal of fixed assets	-	-	(21,331)	(21,331)	-
Bond issuance cost	(16,379)	-	-	(16,379)	-
Net nonoperating revenues (expenses)	<u>(1,964)</u>	<u>10,674</u>	<u>248,064</u>	<u>256,774</u>	<u>37,846</u>
Income (loss) before capital contributions and transfers	344,438	(106,281)	(153,119)	85,038	121,217
Capital contributions	145,537	257,584	10,341	413,462	-
Transfers in	-	-	139,825	139,825	-
Change in net assets	<u>489,975</u>	<u>151,303</u>	<u>(2,953)</u>	<u>638,325</u>	<u>121,217</u>
Total net assets - beginning	<u>22,409,273</u>	<u>9,095,974</u>	<u>1,490,117</u>	<u>32,995,364</u>	<u>556,834</u>
Total net assets - ending	<u>\$ 22,899,248</u>	<u>\$ 9,247,277</u>	<u>\$ 1,487,164</u>	<u>\$ 33,633,689</u>	<u>\$ 678,051</u>

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 3,813,026	\$ 332,330	\$ 190,830	\$ 4,336,186	\$ 2,004,385
Cash payments to suppliers for goods and services	(1,425,453)	(83,426)	(192,687)	(1,701,566)	(2,192,721)
Cash payments to employees for services	(1,119,077)	(148,991)	(302,300)	(1,570,368)	(3,175)
Other operating revenue	<u>95,359</u>	<u>-</u>	<u>-</u>	<u>95,359</u>	<u>376,777</u>
Net cash provided (used) by operating activities	<u>1,363,855</u>	<u>99,913</u>	<u>(304,157)</u>	<u>1,159,611</u>	<u>185,266</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	139,825	139,825	-
Grants received	96	-	253,034	253,130	-
Other noncapital financing received	31,782	-	-	31,782	-
Decrease in due from other funds	-	1,752	7,429	9,181	-
Decrease in due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,890)</u>
Net cash provided (used) by noncapital financing activities	<u>31,878</u>	<u>1,752</u>	<u>400,288</u>	<u>433,918</u>	<u>(1,890)</u>
Cash flows from capital and related financing activities					
Acquisition and construction of property and equipment	(222,818)	(18,511)	(10,341)	(251,670)	-
Payment of debt	(771,000)	-	-	(771,000)	-
Interest paid	(248,307)	-	-	(248,307)	-
Contributions	<u>-</u>	<u>-</u>	<u>10,341</u>	<u>10,341</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,242,125)</u>	<u>(18,511)</u>	<u>-</u>	<u>(1,260,636)</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investment securities	<u>239,770</u>	<u>9,102</u>	<u>15,850</u>	<u>264,722</u>	<u>31,711</u>
Net increase in cash and cash equivalents	393,378	92,256	111,981	597,615	215,087
Cash and cash equivalents, beginning	<u>3,730,914</u>	<u>192,711</u>	<u>325,496</u>	<u>4,249,121</u>	<u>907,164</u>
Cash and cash equivalents, ending	<u>\$ 4,124,292</u>	<u>\$ 284,967</u>	<u>\$ 437,477</u>	<u>\$ 4,846,736</u>	<u>\$ 1,122,251</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CASH FLOWS (continued)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewers	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	<u>\$ 346,402</u>	<u>\$ (116,955)</u>	<u>\$ (401,183)</u>	<u>\$ (171,736)</u>	<u>\$ 83,371</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,188,396	227,689	94,592	1,510,677	-
Changes in assets and liabilities					
Decrease (increase) in receivables	(110,843)	(1,728)	2,239	(110,332)	7,317
Decrease (increase) in inventories and prepaid items	(16,977)	(832)	4,400	(13,409)	(24,524)
Decrease in accounts payable	(34,143)	(5,634)	(2,874)	(42,651)	(28,536)
Decrease in accrued liabilities	(17,399)	(2,627)	(1,331)	(21,357)	-
Increase in due to other governments	8,419	-	-	8,419	9,297
Increase in unearned revenue	-	-	-	-	138,341
Total	<u>1,017,453</u>	<u>216,868</u>	<u>97,026</u>	<u>1,331,347</u>	<u>101,895</u>
Net cash provided (used) by operating activities	<u>\$ 1,363,855</u>	<u>\$ 99,913</u>	<u>\$ (304,157)</u>	<u>\$ 1,159,611</u>	<u>\$ 185,266</u>
Noncash capital activities					
Contributions of capital assets from other funds and outside sources	<u>\$ 145,537</u>	<u>\$ 257,584</u>	<u>\$ -</u>	<u>\$ 403,121</u>	<u>\$ -</u>

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2007**

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	Police Pension Trust	Agency Funds
Assets		
Cash and cash equivalents	\$ 159	\$ 1,040,731
Accrued interest	-	9,808
	<u>159</u>	<u>1,050,539</u>
Total assets		
Liabilities		
Accrued payroll and payroll benefits	-	215,352
Due to City	-	754,798
Due to Friends of the Library	-	76,091
Due to other governments	-	4,298
	<u>-</u>	<u>1,050,539</u>
Total liabilities		
Net assets		
Held in trust for pension benefits	<u>\$ 159</u>	

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

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	<u>Police Pension Trust</u>
Additions	
Contributions, employer	\$ 7,516
Deductions	
Benefits	<u>7,360</u>
Change in net assets	156
Net assets - beginning	<u>3</u>
Net assets - ending	<u>\$ 159</u>

## **NOTES TO FINANCIAL STATEMENTS**

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

Marshalltown Water Works  
205 East State Street  
Marshalltown, Iowa 50158

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

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

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

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

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

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

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

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administrated by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2007, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2006 and March 31, 2007. Any County collections on the 2005-2006 tax levy remitted to the City within sixty days subsequent to June 30, 2007, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2007, are delinquent and have been recorded as receivables. This amount is recorded as deferred revenue in the governmental funds but is recognized as revenue in the government-wide financial statements.

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

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

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

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

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

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

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

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

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

*Compensated Absences.* City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 1,440 hours for municipal fire employees and 1,040 hours for all others, upon retirement if the employee has at least 15 years of service. All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. Governmental funds record the earned vacation and vested sick leave hours as an expenditure of the current year to the extent it is paid during the year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2007.

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The liability is recorded on the statement of net assets based on rates of pay in effect as of June 30, 2007.

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

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

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

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

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

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

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

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

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

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

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

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

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amount budgeted.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Deposits.* On June 30, 2007, the carrying amount of the City’s deposits was \$17,977,160 and the bank balances were \$18,245,428. The City’s deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

As of June 30, 2007, the City’s carrying amount of deposits, related bank balances, and other cash, including fiduciary funds, were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 5,466,203	\$ 5,745,428
Certificates of deposits	12,500,000	12,500,000
Petty cash	10,957	-
Total	<u>\$ 17,977,160</u>	<u>\$ 18,245,428</u>

The Marshalltown Water Works’ carrying amount of deposits was \$1,805,851 all of which was covered by federal depository insurance or insured by the state through pooled collateral, State Sinking Funds and by the state’s ability to assess for lost funds.

The Convention and Visitors Bureau’s deposits carrying amount and bank balance amount was \$123,357 all of which was covered by federal depository insurance.

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

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

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

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

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

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

**NOTE 4 – INTERFUND BALANCES AND TRANSFERS**

Interfund balances as of June 30, 2007, consisted of the following:

Due to general fund from	
Road use tax	\$ 90,552
Property tax	386,673
Public works and other projects	37,559
Nonmajor governmental funds	315,842
Internal service fund	<u>5,967</u>
Total due to general fund	<u>\$ 836,593</u>
Due to HUD Programs from	
Property tax	<u>\$ 3,309</u>
Due to property tax fund from	
Local option sales tax	<u>\$ 309,805</u>
Due to public works and other projects from	
Road use tax	\$ 32,757
Tax increment financing	<u>849,567</u>
Total due to public works and other projects	<u>\$ 882,324</u>

**CITY OF MARSHALLTOWN, IOWA**  
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Due to nonmajor governmental funds from	
General fund	\$ 24,826
Tax increment financing	274,798
Public works and other projects	<u>70,000</u>
Total due to nonmajor governmental funds	<u>\$ 369,624</u>
Due to nonmajor enterprise funds from	
General	<u>\$ 1,978</u>

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

Due to/from primary government and component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
Enterprise Fund, Water Pollution Control	Water Works	<u>\$ 227,053</u>

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfers to general fund from	
Road use tax	\$ 793,492
Local option sales tax	55,000
Public works and other projects	340,404
Tax increment financing	10,500
Property tax	<u>2,759,584</u>
Total transfers to general fund	<u>\$ 3,958,980</u>
Transfers to HUD programs fund from	
Property tax	<u>\$ 32,055</u>
Transfers to property tax fund from	
Local option sales tax	<u>\$ 1,752,861</u>
Transfers to debt service fund from	
Tax increment financing	\$ 482,098
Non major governmental funds	<u>200,000</u>
Total transfers to debt service fund	<u>\$ 682,098</u>
Transfers to public works and other projects fund from	
Road use tax	\$ 32,757
Tax increment financing	<u>738,511</u>
Total transfers to public works and other projects fund	<u>\$ 771,268</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Transfers to nonmajor governmental funds from	
General fund	\$ 54,825
Tax increment financing	274,798
Public works and other projects	68,302
Non major governmental funds	<u>1,697</u>
Total transfers to nonmajor governmental funds	<u>\$ 399,622</u>
Transfers to nonmajor enterprise funds from	
General	<u>\$ 139,825</u>

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

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Primary Government				
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 2,847,192	\$ 390,663	\$ -	\$ 3,237,855
Construction in progress	<u>150,281</u>	<u>1,574,967</u>	<u>(37,623)</u>	<u>1,687,625</u>
Total capital assets, not being depreciated	<u>2,997,473</u>	<u>1,965,630</u>	<u>(37,623)</u>	<u>4,925,480</u>
Capital assets, being depreciated				
Buildings and structures	7,782,227	164,988	(40,326)	7,906,889
Land improvements	1,278,694	109,380	-	1,388,074
Equipment and vehicles	11,702,253	379,546	(200,502)	11,881,297
Infrastructure	<u>28,157,149</u>	<u>826,960</u>	<u>-</u>	<u>28,984,109</u>
Total capital assets, being depreciated	<u>48,920,323</u>	<u>1,480,874</u>	<u>(240,828)</u>	<u>50,160,369</u>

**CITY OF MARSHALLTOWN, IOWA**  
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	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Less accumulated depreciation for				
Buildings and structures	\$ (2,900,434)	\$ (184,814)	\$ 37,073	\$ (3,048,175)
Land improvements	(226,126)	(73,681)	-	(299,807)
Equipment and vehicles	(5,152,070)	(726,762)	200,502	(5,678,330)
Infrastructure	(10,351,621)	(1,029,270)	-	(11,380,891)
Total accumulated depreciation	<u>(18,630,251)</u>	<u>(2,014,527)</u>	<u>237,575</u>	<u>(20,407,203)</u>
Total capital assets, being depreciated, net	<u>30,290,072</u>	<u>(533,653)</u>	<u>(3,253)</u>	<u>29,753,166</u>
Governmental activities capital assets, net	<u>\$ 33,287,545</u>	<u>\$ 1,431,977</u>	<u>\$ (40,876)</u>	<u>\$ 34,678,646</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 575,024	\$ -	\$ -	\$ 575,024
Construction in progress	19,130	174,397	-	193,527
Total capital assets, not being depreciated	<u>594,154</u>	<u>174,397</u>	<u>-</u>	<u>768,551</u>
Capital assets, being depreciated				
Buildings and structures	11,150,623	42,615	(26,146)	11,167,092
Land improvements	1,849,895	30,000	-	1,879,895
Equipment and vehicles	13,361,327	206,125	(316,876)	13,250,576
Sanitary sewers and lift stations	15,431,684	146,844	-	15,578,528
Infrastructure	10,837,077	54,812	-	10,891,889
Total capital assets, being depreciated	<u>52,630,606</u>	<u>480,396</u>	<u>(343,022)</u>	<u>52,767,980</u>
Less accumulated depreciation for				
Buildings and structures	(3,537,170)	(346,583)	26,146	(3,857,607)
Land improvements	(1,109,426)	(72,405)	-	(1,181,831)
Equipment and vehicles	(7,890,014)	(542,840)	295,543	(8,137,311)
Sanitary sewers and lift stations	(3,438,251)	(331,506)	-	(3,769,757)
Infrastructure	(2,236,575)	(217,343)	-	(2,453,918)
Total accumulated depreciation	<u>(18,211,436)</u>	<u>(1,510,677)</u>	<u>321,689</u>	<u>(19,400,424)</u>
Total capital assets, being depreciated, net	<u>34,419,170</u>	<u>(1,030,281)</u>	<u>(21,333)</u>	<u>33,367,556</u>
Business-type activities capital assets, net	<u>\$ 35,013,324</u>	<u>\$ (855,884)</u>	<u>\$ (21,333)</u>	<u>\$ 34,136,107</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Public safety	\$ 256,150
Public works	1,344,081
Health and social services	1,461
Culture and recreation	377,402
Community and economic development	11,798
General government	<u>23,635</u>
Total depreciation expense – governmental activities	<u>\$ 2,014,527</u>
Business-type activities	
Water pollution control	\$ 1,188,396
Storm sewer	227,689
Compost facility	9,435
Bus transit	<u>85,157</u>
Total depreciation expense – business-type activities	<u>\$ 1,510,677</u>

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of changes in the City’s long-term debt for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 977,915	\$ 312,421	\$ 483,113	\$ 807,223	\$ 231,356
General obligation bonds and notes payable	17,589,564	-	1,668,840	15,920,724	1,763,840
Urban renewal tax increment revenue bonds and notes payable	<u>4,295,788</u>	<u>-</u>	<u>372,350</u>	<u>3,923,438</u>	<u>388,438</u>
	<u>22,863,267</u>	<u>312,421</u>	<u>2,524,303</u>	<u>20,651,385</u>	<u>2,383,634</u>

**CITY OF MARSHALLTOWN, IOWA**  
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	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Business-type activities					
Compensated absences payable	\$ 170,875	\$ 57,033	\$ 83,567	\$ 144,341	\$ 24,942
Enterprise funds, revenue bonds payable	2,585,000	-	770,000	1,815,000	260,000
Sewer revenue capital loan note payable	4,347,000	-	1,000	4,346,000	306,000
	<u>7,102,875</u>	<u>57,033</u>	<u>854,567</u>	<u>6,305,341</u>	<u>590,942</u>
<b>Total</b>	<u>\$29,966,142</u>	<u>\$ 369,454</u>	<u>\$ 3,378,870</u>	<u>\$26,956,726</u>	<u>\$ 2,974,576</u>

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

The following is a summary of changes in long-term debt for the discretely presented component unit – Water Works for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Due Within One Year
Revenue bonds payable	\$ 710,000	\$ -	\$ 345,000	\$ 365,000	\$ 365,000

*Bonded Debt.* Details of the City's bonds and notes payable as of June 30, 2007, are as follows:

	Interest Rates	Govern- mental Activities	Business- type Activities	Total
General obligation bonds and notes				
1999A Essential corporate purpose, issued June 1, 1999	4.35-4.65	\$ 1,760,000	\$ -	\$ 1,760,000
2002A Essential corporate purpose, issued April 1, 2002	4.25-4.85	6,400,000	-	6,400,000
2002B Essential corporate purpose refunding bonds, issued April 1, 2002	3.90-4.05	910,000	-	910,000
2003A Essential corporate purpose refunding bonds, issued April 1, 2003	2.55-3.75	2,265,000	-	2,265,000
2004A Essential corporate purpose, issued June 1, 2004	4.10-6.00	1,905,000	-	1,905,000
Equipment loan note, issued February 1, 2005	-	110,724	-	110,724

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**CITY OF MARSHALLTOWN, IOWA**  
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	Interest Rates	Govern- mental Activities	Business- type Activities	Total
2005B Essential corporate purpose refunding bonds, issued April 1, 2005	3.10-3.65	\$ 1,200,000	\$ -	\$ 1,200,000
2006A Capital loan notes, issued June 1, 2006	4.15-4.38	<u>1,370,000</u>	-	<u>1,370,000</u>
Total general obligation bonds and notes		<u>15,920,724</u>	-	<u>15,920,724</u>
Revenue bonds and notes				
Urban renewal tax increment, issued June 1, 1999	4.50-4.90	3,795,000	-	3,795,000
Urban renewal tax increment, issued June 30, 2003	5.00	128,438	-	128,438
Water Pollution Control capital loan notes, Series 2003, issued May 15, 2003	3.00	-	4,346,000	4,346,000
Water Pollution Control refunding bonds, Series 2005A, issued April 1, 2005	3.55-3.85	-	<u>1,815,000</u>	<u>1,815,000</u>
Total revenue bonds and notes		<u>3,923,438</u>	<u>6,161,000</u>	<u>10,084,438</u>
Total long-term debt		<u>\$ 19,844,162</u>	<u>\$ 6,161,000</u>	<u>\$ 26,005,162</u>

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

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond and interest sinking fund for the purpose of making the bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to a separate sewer revenue debt service reserve fund until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying bond principal and interest payments due when insufficient money is available in the sinking fund.
- (4) Additional monthly transfers to a sewer improvement fund shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system. This account may be used to pay principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund and the cost of extraordinary maintenance expenses or repairs, renewals, and replacements not included in the annual budget for capital improvements.

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

*Future Requirements to Maturity.* Principal and interest requirements to maturity for the City's bonds and notes outstanding as of June 30, 2007, are as follows:

Years Ending June 30	General Obligation Bonds and Notes		Urban Renewal Tax Increment Revenue Bonds and Notes	
	Principal	Interest	Principal	Interest
2008	\$ 1,763,840	\$ 655,583	\$ 388,438	\$ 181,330
2009	1,793,841	592,279	270,000	164,793
2010	1,648,840	524,970	280,000	152,643
2011	1,763,841	460,137	290,000	140,043
2012	1,853,840	389,058	300,000	126,993
2013-2017	6,846,522	902,864	1,650,000	419,009
2018-2020	250,000	10,875	745,000	54,695
Total	<u>\$ 15,920,724</u>	<u>\$ 3,535,766</u>	<u>\$ 3,923,438</u>	<u>\$ 1,239,506</u>

Years Ending June 30	Total Governmental Activities		Water Pollution Control Revenue Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 2,152,278	\$ 836,913	\$ 260,000	\$ 65,983
2009	2,063,841	757,072	260,000	56,753
2010	1,928,840	677,613	260,000	47,523
2011	2,053,841	600,180	260,000	38,293
2012	2,153,840	516,051	260,000	29,063
2013-2017	8,496,522	1,321,873	515,000	29,583
2018-2020	995,000	65,570	-	-
Total	<u>\$ 19,844,162</u>	<u>\$ 4,775,272</u>	<u>\$ 1,815,000</u>	<u>\$ 267,198</u>

**CITY OF MARSHALLTOWN, IOWA**  
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Years Ending June 30	Water Pollution Control Capital Loan Note		Total Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 306,000	\$ 130,380	\$ 566,000	\$ 196,363
2009	315,000	121,200	575,000	177,953
2010	325,000	111,750	585,000	159,273
2011	335,000	102,000	595,000	140,293
2012	345,000	91,950	605,000	121,013
2013-2017	1,885,000	298,200	2,400,000	327,783
2018-2020	835,000	37,770	835,000	37,770
Total	<u>\$ 4,346,000</u>	<u>\$ 893,250</u>	<u>\$ 6,161,000</u>	<u>\$ 1,160,448</u>

Year Ending June 30	Water Works Revenue Bonds	
	Principal	Interest
2008	\$ 365,000	\$ 14,600

*Legal Debt Margin.* The City's legal debt margin as of June 30, 2007, is as follows:

Regular realty valuations	\$ 1,001,496,418
Utility valuations	104,349,219
Incremental valuations	51,716,709
Total actual valuations applicable to debt	<u>\$ 1,157,562,346</u>
Debt limit - 5% of total actual valuations applicable to debt	<u>\$ 57,878,117</u>
Amount of debt applicable to limitation	
General obligation bonds and notes	\$ 15,920,724
Urban renewal tax increment revenue bonds	<u>3,923,438</u>
	19,844,162
Less funds available from	
Debt service fund	281,555
Tax increment financing	<u>632,232</u>
Total debt applicable to debt margin	<u>18,930,375</u>
Legal debt margin	<u>\$ 38,947,742</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – PENSION AND RETIREMENT SYSTEMS**

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

*Municipal Fire and Police Retirement System of Iowa.* The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, Iowa 50263.

Plan members are required to contribute 9.35% of earnable compensation and the City was required to contribute 27.75% for the year ended June 30, 2007, 28.21% for 2006, and 24.92% for 2005, of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2007, 2006, and 2005, were \$928,981, \$899,448, and \$859,377, respectively, which met the required minimum contribution for each year.

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

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

There is one active beneficiary in the plan. The plan is normally funded through a property tax levy, and currently the City expects to continue to levy the tax as long as the benefit is required to be paid equal to the required contributions for the year. This year there were sufficient funds on hand negating the need for an additional levy. The City's contributions to the retirement system for the years ended June 30, 2007, 2006, and 2005, were \$7,516, \$3,543, and \$0, respectively.

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005, were \$256,434, 248,089, and \$254,760, respectively, equal to the required contributions for each year.

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

The plan was established by the Marshalltown Water Works Board of Trustees on September 30, 1953. The plan was restated and amended on January 1, 1986. The contribution requirements of plan members and the Water Works are established by the Board of Trustees and may be amended by the Board of Trustees at any time. Contribution percentages are actuarially determined rates. Plan members are required to contribute 3.25% of their annual covered salary. The Water Works is required to contribute 6.75% of annual covered payroll.

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

Annual required contribution	\$	31,193
Annual pension cost		31,193
Contributions made		31,193
Increase in net pension obligation		-
Net pension obligations, beginning of year		-
Net pension obligations, end of year		-

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

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	\$ 31,193	100.0%	\$ -
June 30, 2006	29,456	100.0%	-
June 30, 2005	24,399	100.0%	-

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

Plan members are required to contribute 3.70% of their annual covered salary and the Water Works is required to contribute 5.75% of annual covered salary. Contribution requirements are established by state statute. The Water Works' contributions to IPERS for the years ended June 30, 2007, 2006, and 2005, were \$22,694, \$22,471 and \$22,974, respectively, equal to the required contributions for each year.

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS**

The City provides post employment life and healthcare benefits, as allowed by Chapter 509A of the Code of Iowa, to all City employees (bargaining unit and non bargaining unit) who retire from the City. Upon normal retirement, as defined by the respective retirement system or disability retirement as defined under Chapter 411 of the Code of Iowa, all employees with at least 15 years of continuous service are eligible for the City to pay one-half of the City's group health insurance monthly premiums. Currently, 51 retirees, 4 surviving spouses, and 2 former employees have maintained the City's group health and accident insurance coverage, of which 48 meet the eligibility requirements for the City to pay one-half or a portion of the cost of such insurance. Expenditures for postemployment health care benefits are recognized on a monthly basis when the premiums are paid. During the year ended June 30, 2007, the City paid \$415,813 in premiums for postemployment health care coverage, of which \$209,265 was reimbursed to the City by the insured individuals and \$206,548 represents the City's cost of the coverage.

Effective July 1, 2008, the City will pay one-half of the monthly City group health insurance premium until the retired employee is eligible for Medicare. Dependents of retirees retiring on or after July 1, 2008, who are not eligible for Medicare coverage will be allowed to remain in the City's group insurance benefit plans until the earliest of these events: 1) The spouse or other dependent becomes eligible for Medicare or 2) two years from the date of the City's retiree became eligible for Medicare, during which two years the spouse or other eligible covered dependents will be billed at the same percentage of premium to which the employee was entitled upon his/her retirement from the City. Currently, six City employees are not eligible for Medicare and will be allowed to remain in the City's group insurance benefit plan indefinitely.

**NOTE 9 – RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool (the Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose over 556 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.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims 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 exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the City's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

Members who elect property coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions. The City opted to purchase property and casualty coverage from Chub and not participate in the risk pool. With this carrier the City of Marshalltown has a \$35,376,221 blanket limit for premises, \$1,094,273 for Inland Marine Contractor's equipment, and \$6,500,000 for Inland Marine Builders risk limit. As a commercial carrier, no additional liability is recorded in the financial statements of the City.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

The City has established a Group Insurance Benefits Fund for insuring health benefits provided to City employees and covered dependents which is included as an internal service fund. Health benefits were self-insured up to a specific stop loss amount of \$80,000 and an aggregate stop loss of approximately \$2,007,000 for 2007. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Reported claims as of June 30, 2007, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses.

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

The City has established an Occupational Insurance Benefits Fund to self insure for workers' compensation benefits for all currently employed police officers and firefighters and police officers and firefighters who have retired due to an accidental disability prior to December 1992, in accordance with Chapter 411.15 of the Code of Iowa. The General Fund is charged for benefits paid to police officers and firefighters by the Occupational Insurance Benefits Fund, which is also accounted for as an internal service fund. Reported claims as of June 30, 2007, as well as incurred but not reported claims, have been accrued as a liability based upon the City's best estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses. There is no stop loss insurance for this coverage.

The claims liabilities of \$337,323 in the Group Insurance Benefits Fund and \$392 in the Occupational Insurance Benefits Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2007 and 2006, are summarized as follows:

	Group Insurance Benefits Fund	Occupational Insurance Benefits Fund
	<u>          </u>	<u>          </u>
Liabilities as of June 30, 2005	\$ 261,519	\$ 2,292
Claims and changes in estimates during fiscal year 2006	1,963,684	73,700
Claim payments	<u>(1,860,274)</u>	<u>(74,521)</u>
Liabilities as of June 30, 2006	364,929	1,471
Claims and changes in estimates during fiscal year 2007	1,643,648	76,474
Claim payments	<u>(1,671,254)</u>	<u>(77,553)</u>
	<u>\$ 337,323</u>	<u>\$ 392</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 10 – INDUSTRIAL DEVELOPMENT REVENUE BONDS**

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, there was one issue of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$7,650,000.

**NOTE 11 – CONDUIT DEBT**

In October 1998, the City participated in the issuance of one note payable as part of the Community Economic Betterment Act (CEBA) Program of the state of Iowa. The note was issued to a business in the City. The repayment of the loan is made directly from the business back to the State. The note is payable solely from the business participating in the CEBA program. The outstanding balance on the note at June 30, 2007, totals \$31,981.

**NOTE 12 – DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees, until termination, retirement, death, or unforeseeable emergency. The plan complies with IRC Section 457(g), which allows for the plan to hold its assets in trust. Under these requirements, the City does not own the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements. Under privately negotiated contracts, the City contributes to the deferred compensation plans (457) for two employees. During this fiscal year, the City contributed a total of \$19,112 to their plans.

During this fiscal year, the City also made payroll IRAs available to its employees in accordance with Internal Revenue Code Section 401. This plan is also available to all regular City employees. Participation is optional and withdrawals are governed by current IRS regulations.

**NOTE 13 – COMMITMENTS**

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2007. The City has additional commitments for signed construction contracts of approximately \$6,680,068 as of June 30, 2007.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 14 – MAJOR CUSTOMER**

The financial statements of the Water Pollution Control Enterprise Fund include sales and receivables from Swift and Company, a major customer, of \$1,309,942 and \$97,736, respectively.

**NOTE 15 – LITIGATION**

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

**NOTE 16 – DEFICIT BALANCES**

At June 30, 2007, funds with deficit balances were as follows:

Special Revenue Funds – Grant Fund	\$	4,890
Capital Projects Funds - Airport Projects		342,514
Internal Service Funds – Flexible Benefits		5,967

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

**NOTE 17 – MARSHALLTOWN FRIENDS OF THE LIBRARY**

The Marshalltown Friends of the Library have been very active in the design and promotion of a new library. It is anticipated that next year there will be substantial contributions from the Organization in support of the project, which will be reflected in the financial report as an agency contributing to the capital project. At June 30, 2007, the pledge drive was just beginning. This activity is reflected in the Friends of the Library agency fund, which is also contributing to the Culture and Recreation Capital Projects fund.

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

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

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

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 50, *Pension Disclosures*, issued May 2007, will be effective for the fiscal year ending June 30, 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

Schedule of Funding Progress						
Actuarial Valuation Date *	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL/UAAL as a Percentage of Covered Payroll [(b-a)/c]
April 1, 2007	\$ 1,273,423	\$ 1,950,980	\$ 677,557	65.27%	\$ 442,044	153.3%
April 1, 2006	1,310,753	1,951,458	640,705	67.17%	443,801	144.4%
April 1, 2005	1,350,451	1,899,344	548,893	71.10%	424,317	129.4%

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

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

\* The last actuarial valuation was performed on April 1, 2004. Estimated values have been calculated as of April 1, 2007, 2006, and 2005.

**CITY OF MARSHALLTOWN, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS)**  
**GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Actual			Budgeted Amounts		Final to Actual Variance
	Governmental Funds	Enterprise Funds	Total	Original Budget	Final Budget	
<b>Receipts</b>						
Property taxes	\$ 7,513,810	\$ -	7,513,810	\$ 7,688,565	\$ 7,690,645	\$ (176,835)
TIF revenues	1,779,844	-	1,779,844	1,842,506	1,842,506	(62,662)
Other city taxes	4,416,587	-	4,416,587	3,980,593	4,330,218	86,369
Use of money and property	677,147	296,506	973,653	420,737	777,064	196,589
Licenses and permits	303,866	6,736	310,602	316,205	319,195	(8,593)
Intergovernmental	6,078,668	253,376	6,332,044	7,065,816	7,813,418	(1,481,374)
Charges for service	907,919	4,329,084	5,237,003	5,056,475	5,373,708	(136,705)
Special assessments	197,539	594	198,133	205,000	229,038	(30,905)
Miscellaneous	970,200	210,100	1,180,300	415,900	2,420,233	(1,239,933)
Other financing sources	36,604	1,800	38,404	3,808,406	36,281	2,123
Total receipts	<u>22,882,184</u>	<u>5,098,196</u>	<u>27,980,380</u>	<u>30,800,203</u>	<u>30,832,306</u>	<u>(2,851,926)</u>
<b>Disbursements</b>						
Public safety	7,276,208	-	7,276,208	7,829,860	7,977,553	701,345
Public works	2,548,510	-	2,548,510	2,865,399	3,837,323	1,288,813
Health and social services	1,370,565	-	1,370,565	1,322,824	1,476,150	105,585
Culture and recreation	2,375,124	-	2,375,124	2,261,105	2,574,080	198,956
Community and economic development	2,014,090	-	2,014,090	1,806,915	2,101,419	87,329
General government	1,048,401	-	1,048,401	1,152,741	1,155,113	106,712
Debt service	2,973,822	-	2,973,822	2,766,141	2,984,992	11,170
Capital projects	1,921,144	-	1,921,144	6,027,129	5,278,265	3,357,121
Business-type activities	-	4,647,835	4,647,835	5,638,043	5,416,971	769,136
Total disbursements	<u>21,527,864</u>	<u>4,647,835</u>	<u>26,175,699</u>	<u>31,670,157</u>	<u>32,801,866</u>	<u>6,626,167</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,354,320</u>	<u>450,361</u>	<u>1,804,681</u>	<u>(869,954)</u>	<u>(1,969,560)</u>	<u>3,774,241</u>
<b>Other financing sources (uses)</b>						
Transfers in	6,753,684	147,254	6,900,938	7,579,982	9,310,853	2,409,915
Transfers out	(6,900,938)	-	(6,900,938)	(7,579,982)	(9,310,853)	(2,409,915)
Total other financing sources (uses)	<u>(147,254)</u>	<u>147,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,207,066	597,615	1,804,681	(869,954)	(1,969,560)	3,774,241
Fund balances, beginning	<u>9,766,065</u>	<u>4,249,122</u>	<u>14,015,187</u>	<u>11,853,647</u>	<u>14,015,187</u>	<u>-</u>
Fund balances, ending	<u>\$ 10,973,131</u>	<u>\$ 4,846,737</u>	<u>\$ 15,819,868</u>	<u>\$ 10,983,693</u>	<u>\$ 12,045,627</u>	<u>\$ 3,774,241</u>

**CITY OF MARSHALLTOWN, IOWA**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION**  
**YEAR ENDED JUNE 30, 2007**

	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual	Modified	Cash Basis	Accrual	Accrual Basis
		Adjustments	Accrual Basis		Adjustments	
Revenues	\$ 22,882,184	\$ 791,203	\$ 23,673,387	\$ 30,800,203	\$(25,589,424)	\$ 5,210,779
Expenditures/expenses	<u>21,527,864</u>	<u>561,364</u>	<u>22,089,228</u>	<u>31,670,157</u>	<u>(26,670,173)</u>	<u>4,999,984</u>
Net	1,354,320	229,839	1,584,159	(869,954)	1,080,749	210,795
Other financing sources, net	(147,254)	20,728	(126,526)	-	427,530	427,530
Beginning fund balances/net assets, as restated	<u>9,766,065</u>	<u>548,377</u>	<u>10,314,442</u>	<u>11,853,647</u>	<u>21,141,717</u>	<u>32,995,364</u>
Ending fund balances/net assets	<u>\$ 10,973,131</u>	<u>\$ 798,944</u>	<u>\$ 11,772,075</u>	<u>\$ 10,983,693</u>	<u>\$ 22,649,996</u>	<u>\$ 33,633,689</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2007**

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

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

Formal and legal budgetary control is based upon nine (9) major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment was prepared with the required public hearing. The amendment increased budgeted disbursements by \$1,131,709.

During the year ended June 30, 2007, no function disbursements exceeded the amount budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

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# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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

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

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

## CAPITAL PROJECTS FUNDS

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

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

## PERMANENT FUND

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

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>Special</u>	
	<u>E-911</u>	
	<u>Surcharge</u>	<u>Grant Fund</u>
Assets		
Cash and cash equivalents	\$ 325,836	\$ -
Receivables		
Accounts and unbilled usage	-	-
Interest	862	-
Due from other funds	-	24,826
Due from other governments	66,256	35,171
Prepaid items	<u>15,428</u>	<u>-</u>
Total assets	<u>\$ 408,382</u>	<u>\$ 59,997</u>
Liabilities and fund balances		
Liabilities		
Accounts payable	\$ 25,309	\$ 10,669
Accrued payroll and payroll benefits	-	3,195
Retainage payable	-	-
Deferred revenue		
Other	-	2,739
Due to other funds	<u>-</u>	<u>48,284</u>
Total liabilities	<u>25,309</u>	<u>64,887</u>
Fund balances		
Reserved for		
Prepaid items	15,428	-
Endowments	-	-
Unreserved	<u>367,645</u>	<u>(4,890)</u>
Total fund balances	<u>383,073</u>	<u>(4,890)</u>
Total liabilities and fund balances	<u>\$ 408,382</u>	<u>\$ 59,997</u>

Revenue Funds		Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Special Contributions	Other	Airport Projects	Culture and Recreation Projects	Campground Foundation	
\$ 26,153	\$ 225,538	\$ 24,068	\$ -	\$ 2,591	\$ 604,186
-	317	-	754,798	-	755,115
1,134	174	-	1,164	10	3,344
70,000	-	-	274,798	-	369,624
-	-	335,556	63,952	-	500,935
86	-	-	-	-	15,514
<u>\$ 97,373</u>	<u>\$ 226,029</u>	<u>\$ 359,624</u>	<u>\$ 1,094,712</u>	<u>\$ 2,601</u>	<u>\$ 2,248,718</u>
\$ 3,723	\$ -	\$ 349,421	\$ 221,687	\$ -	\$ 610,809
-	-	-	-	-	3,195
-	-	17,161	13,740	-	30,901
-	317	335,556	63,952	-	402,564
-	-	-	267,558	-	315,842
<u>3,723</u>	<u>317</u>	<u>702,138</u>	<u>566,937</u>	<u>-</u>	<u>1,363,311</u>
86	-	-	-	-	15,514
-	-	-	-	2,601	2,601
<u>93,564</u>	<u>225,712</u>	<u>(342,514)</u>	<u>527,775</u>	<u>-</u>	<u>867,292</u>
<u>93,650</u>	<u>225,712</u>	<u>(342,514)</u>	<u>527,775</u>	<u>2,601</u>	<u>885,407</u>
<u>\$ 97,373</u>	<u>\$ 226,029</u>	<u>\$ 359,624</u>	<u>\$ 1,094,712</u>	<u>\$ 2,601</u>	<u>\$ 2,248,718</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<u>Special</u>	
	<u>E-911</u>	
	<u>Surcharge</u>	<u>Grant Fund</u>
Revenues		
Other city taxes	\$ 277,194	\$ -
Use of money and property	12,393	181
Intergovernmental	-	165,852
Charges for service	-	-
Special assessments	-	-
Miscellaneous	-	27,747
	<u>289,587</u>	<u>193,780</u>
Total revenues		
Expenditures		
Current		
Public safety	195,425	182,839
Public works	-	-
Culture and recreation	-	73
Community and economic development	-	-
	<u>195,425</u>	<u>182,912</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>94,162</u>	<u>10,868</u>
Other financing sources (uses)		
Transfers in	-	24,824
Transfers out	-	-
	<u>-</u>	<u>24,824</u>
Total other financing sources (uses)		
Net change in fund balances	94,162	35,692
Fund balances - beginning	<u>288,911</u>	<u>(40,582)</u>
Fund balances - ending	<u>\$ 383,073</u>	<u>\$ (4,890)</u>

<u>Revenue Funds</u>		<u>Capital Projects Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Special Contributions</u>	<u>Other</u>	<u>Airport Projects</u>	<u>Culture and Recreation Projects</u>	<u>Campground Foundation</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,194
4,289	10,034	-	23,354	134	50,385
-	-	85,347	26,698	-	277,897
41,480	-	-	17,620	-	59,100
-	317	-	-	-	317
<u>75,032</u>	<u>55,555</u>	<u>-</u>	<u>1,192,413</u>	<u>-</u>	<u>1,350,747</u>
<u>120,801</u>	<u>65,906</u>	<u>85,347</u>	<u>1,260,085</u>	<u>134</u>	<u>2,015,640</u>
25,382	20,007	-	-	-	423,653
-	-	389,065	-	-	389,065
240,067	4,784	-	1,165,787	-	1,410,711
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,379</u>	<u>-</u>	<u>3,379</u>
<u>265,449</u>	<u>24,791</u>	<u>389,065</u>	<u>1,169,166</u>	<u>-</u>	<u>2,226,808</u>
<u>(144,648)</u>	<u>41,115</u>	<u>(303,718)</u>	<u>90,919</u>	<u>134</u>	<u>(211,168)</u>
100,000	-	-	274,798	-	399,622
<u>-</u>	<u>(1,697)</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(201,697)</u>
<u>100,000</u>	<u>(1,697)</u>	<u>-</u>	<u>74,798</u>	<u>-</u>	<u>197,925</u>
(44,648)	39,418	(303,718)	165,717	134	(13,243)
<u>138,298</u>	<u>186,294</u>	<u>(38,796)</u>	<u>362,058</u>	<u>2,467</u>	<u>898,650</u>
<u>\$ 93,650</u>	<u>\$ 225,712</u>	<u>\$ (342,514)</u>	<u>\$ 527,775</u>	<u>\$ 2,601</u>	<u>\$ 885,407</u>

# NONMAJOR ENTERPRISE FUNDS

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2007**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 55,776	\$ 296,521	\$ 85,180	\$ 437,477
Receivables				
Accounts and unbilled usage	1,145	1,239	-	2,384
Interest	-	2,317	417	2,734
Due from other funds	-	1,978	-	1,978
Due from other governments	-	2,576	-	2,576
Inventories	2,677	-	-	2,677
Prepaid items	114	11,236	177	11,527
<b>Total current assets</b>	<u>59,712</u>	<u>315,867</u>	<u>85,774</u>	<u>461,353</u>
<b>Noncurrent assets</b>				
<b>Capital assets</b>				
Land	10,437	-	-	10,437
Land improvements	235,361	7,735	-	243,096
Buildings and structures	26,919	677,129	-	704,048
Equipment and vehicles	66,851	696,203	-	763,054
Accumulated depreciation	(201,678)	(461,024)	-	(662,702)
<b>Total noncurrent assets</b>	<u>137,890</u>	<u>920,043</u>	<u>-</u>	<u>1,057,933</u>
<b>Total assets</b>	<u>197,602</u>	<u>1,235,910</u>	<u>85,774</u>	<u>1,519,286</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	152	5,920	7,341	13,413
Accrued payroll and payroll benefits	362	5,128	1,807	7,297
Compensated absences	-	2,758	-	2,758
<b>Total current liabilities</b>	514	13,806	9,148	23,468
<b>Noncurrent liabilities</b>				
Compensated absences	-	8,654	-	8,654
<b>Total liabilities</b>	<u>514</u>	<u>22,460</u>	<u>9,148</u>	<u>32,122</u>
<b>Net assets</b>				
Invested in capital assets	137,890	920,043	-	1,057,933
Unrestricted	59,198	293,407	76,626	429,231
<b>Total net assets</b>	<u>\$ 197,088</u>	<u>\$ 1,213,450</u>	<u>\$ 76,626</u>	<u>\$ 1,487,164</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET**  
**ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues				
Charges for service	\$ 22,405	\$ 106,764	\$ 61,732	\$ 190,901
Operating expenses				
Salaries and benefits	20,391	262,624	17,954	300,969
Services and supplies	7,646	153,540	35,337	196,523
Depreciation	9,435	85,157	-	94,592
Total operating expenses	<u>37,472</u>	<u>501,321</u>	<u>53,291</u>	<u>592,084</u>
Operating income (loss)	<u>(15,067)</u>	<u>(394,557)</u>	<u>8,441</u>	<u>(401,183)</u>
Nonoperating revenues (expenses)				
Federal and state grants	-	253,034	-	253,034
Interest income	2,325	10,454	3,582	16,361
Loss on disposal of fixed assets	-	(21,331)	-	(21,331)
Net nonoperating revenues	<u>2,325</u>	<u>242,157</u>	<u>3,582</u>	<u>248,064</u>
Income (loss) before capital contributions and transfers	(12,742)	(152,400)	12,023	(153,119)
Capital contributions	-	10,341	-	10,341
Transfers in	-	139,825	-	139,825
Change in net assets	(12,742)	(2,234)	12,023	(2,953)
Total net assets - beginning	<u>209,830</u>	<u>1,215,684</u>	<u>64,603</u>	<u>1,490,117</u>
Total net assets - ending	<u>\$ 197,088</u>	<u>\$ 1,213,450</u>	<u>\$ 76,626</u>	<u>\$ 1,487,164</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities				
Cash received from customers	\$ 21,507	\$ 107,591	\$ 61,732	\$ 190,830
Cash payments to suppliers for goods and services	(2,699)	(157,177)	(32,811)	(192,687)
Cash payments to employees for services	<u>(20,636)</u>	<u>(264,279)</u>	<u>(17,385)</u>	<u>(302,300)</u>
Net cash provided (used) by operating activities	<u>(1,828)</u>	<u>(313,865)</u>	<u>11,536</u>	<u>(304,157)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	-	139,825	-	139,825
Grants received	-	253,034	-	253,034
Decrease in due from other funds	-	7,429	-	7,429
Net cash provided by noncapital financing activities	<u>-</u>	<u>400,288</u>	<u>-</u>	<u>400,288</u>
Cash flows from capital and related financing activities				
Acquisition and construction of property and equipment	-	(10,341)	-	(10,341)
Contributions	-	10,341	-	10,341
Net cash provided (used by) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Interest received on investment securities	<u>2,486</u>	<u>10,170</u>	<u>3,194</u>	<u>15,850</u>
Net increase in cash and cash equivalents	658	96,593	14,730	111,981
Cash and cash equivalents, beginning	<u>55,118</u>	<u>199,928</u>	<u>70,450</u>	<u>325,496</u>
Cash and cash equivalents, ending	<u>\$ 55,776</u>	<u>\$ 296,521</u>	<u>\$ 85,180</u>	<u>\$ 437,477</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (continued)**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (15,067)	\$ (394,557)	\$ 8,441	\$ (401,183)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	9,435	85,157	-	94,592
Changes in assets and liabilities				
Decrease (increase) in receivables	(898)	3,137	-	2,239
Decrease (increase) in inventories and prepaid items	4,881	(451)	(30)	4,400
Increase (decrease) in accounts payable	66	(5,496)	2,556	(2,874)
Increase (decrease) in accrued liabilities	(245)	(1,655)	569	(1,331)
Total adjustments	<u>13,239</u>	<u>80,692</u>	<u>3,095</u>	<u>97,026</u>
Net cash provided (used) by operating activities	<u>\$ (1,828)</u>	<u>\$ (313,865)</u>	<u>\$ 11,536</u>	<u>\$ (304,157)</u>

# **INTERNAL SERVICE FUNDS**

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2007**

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 545,873	\$ 534,984	\$ -	\$ 41,394	\$ 1,122,251
Receivables					
Interest	2,284	8,780	-	333	11,397
Due from other governments	2,051	-	-	-	2,051
Prepaid items	24,248	276	-	-	24,524
	<u>574,456</u>	<u>544,040</u>	<u>-</u>	<u>41,727</u>	<u>1,160,223</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	337,323	392	-	149	337,864
Unearned revenue	138,341	-	-	-	138,341
Due to other funds	-	-	5,967	-	5,967
	<u>475,664</u>	<u>392</u>	<u>5,967</u>	<u>149</u>	<u>482,172</u>
Total net assets (deficit) - unrestricted	<u>\$ 98,792</u>	<u>\$ 543,648</u>	<u>\$ (5,967)</u>	<u>\$ 41,578</u>	<u>\$ 678,051</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Operating revenues					
Charges for service	\$ 1,628,365	\$ 166,228	\$ 61,744	\$ 2,390	\$ 1,858,727
Miscellaneous	<u>376,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,777</u>
Total operating revenues	<u>2,005,142</u>	<u>166,228</u>	<u>61,744</u>	<u>2,390</u>	<u>2,235,504</u>
Operating expenses					
Salaries and benefits	3,175	-	-	-	3,175
Services and supplies	13,293	-	-	-	13,293
Claims paid	1,643,648	76,474	59,854	2,152	1,782,128
Health insurance premiums	230,873	280	-	-	231,153
Miscellaneous	<u>120,763</u>	<u>1,621</u>	<u>-</u>	<u>-</u>	<u>122,384</u>
Total operating expenses	<u>2,011,752</u>	<u>78,375</u>	<u>59,854</u>	<u>2,152</u>	<u>2,152,133</u>
Operating income (loss)	(6,610)	87,853	1,890	238	83,371
Nonoperating revenues					
Interest income	<u>21,996</u>	<u>15,850</u>	<u>-</u>	<u>-</u>	<u>37,846</u>
Change in net assets	15,386	103,703	1,890	238	121,217
Total net assets (deficit) - beginning	<u>83,406</u>	<u>439,945</u>	<u>(7,857)</u>	<u>41,340</u>	<u>556,834</u>
Total net assets (deficit) - ending	<u>\$ 98,792</u>	<u>\$ 543,648</u>	<u>\$ (5,967)</u>	<u>\$ 41,578</u>	<u>\$ 678,051</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Cash flows from operating activities					
Cash received from customers	\$ 1,774,023	\$ 166,228	\$ 61,744	\$ 2,390	\$ 2,004,385
Cash payments to suppliers for goods and services	(2,051,134)	(79,730)	(59,854)	(2,003)	(2,192,721)
Cash payments to employees for services	(3,175)	-	-	-	(3,175)
Other operating revenue	376,777	-	-	-	376,777
Net cash provided by operating activities	<u>96,491</u>	<u>86,498</u>	<u>1,890</u>	<u>387</u>	<u>185,266</u>
Cash flows from noncapital financing activities					
Decrease in due to other funds	-	-	(1,890)	-	(1,890)
Cash flows from investing activities					
Interest received on investment securities	<u>21,515</u>	<u>10,160</u>	<u>-</u>	<u>36</u>	<u>31,711</u>
Net increase in cash and cash equivalents	118,006	96,658	-	423	215,087
Cash and cash equivalents, beginning	<u>427,867</u>	<u>438,326</u>	<u>-</u>	<u>40,971</u>	<u>907,164</u>
Cash and cash equivalents, ending	<u>\$ 545,873</u>	<u>\$ 534,984</u>	<u>\$ -</u>	<u>\$ 41,394</u>	<u>\$ 1,122,251</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (6,610)	\$ 87,853	\$ 1,890	\$ 238	\$ 83,371
Changes in assets and liabilities					
Decrease in receivables	7,317	-	-	-	7,317
Increase in prepaid items	(24,248)	(276)	-	-	(24,524)
Increase (decrease) in accounts payable	(27,606)	(1,079)	-	149	(28,536)
Increase in unearned revenue	138,341	-	-	-	138,341
Increase in due to other governments	<u>9,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,297</u>
Total	<u>103,101</u>	<u>(1,355)</u>	<u>-</u>	<u>149</u>	<u>101,895</u>
Net cash provided by operating activities	<u>\$ 96,491</u>	<u>\$ 86,498</u>	<u>\$ 1,890</u>	<u>\$ 387</u>	<u>\$ 185,266</u>

# FIDUCIARY FUNDS

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

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

**Friends of the Library** – To account for investments for the Friends of the Library.

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

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b>PAYROLL FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 308,540	\$ 27,459,727	\$ 27,552,915	\$ 215,352
<b>LIABILITIES</b>				
Accrued payroll and payroll benefits	\$ 308,540	\$ 27,459,727	\$ 27,552,915	\$ 215,352
<b>FRIENDS OF THE LIBRARY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 2,013,689	\$ 1,192,608	\$ 821,081
Accrued interest	-	9,808	-	9,808
Total assets	<u>\$ -</u>	<u>\$ 2,023,497</u>	<u>\$ 1,192,608</u>	<u>\$ 830,889</u>
<b>LIABILITIES</b>				
Due to Friends of the Library	\$ -	\$ 1,268,699	\$ 1,192,608	\$ 76,091
Due to City	-	754,798	-	754,798
Total liabilities	<u>\$ -</u>	<u>\$ 2,023,497</u>	<u>\$ 1,192,608</u>	<u>\$ 830,889</u>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,219	\$ 13,047	\$ 12,968	\$ 4,298
<b>LIABILITIES</b>				
Due to other governments	\$ 4,219	\$ 13,047	\$ 12,968	\$ 4,298
<b>ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 312,759	\$ 29,486,463	\$ 28,758,491	\$ 1,040,731
Accrued interest	-	9,808	-	9,808
Total assets	<u>\$ 312,759</u>	<u>\$ 29,496,271</u>	<u>\$ 28,758,491</u>	<u>\$ 1,050,539</u>
<b>LIABILITIES</b>				
Accrued payroll and payroll benefits	\$ 308,540	\$ 27,459,727	\$ 27,552,915	\$ 215,352
Due to Friends of the Library	-	1,268,699	1,192,608	76,091
Due to City	-	754,798	-	754,798
Due to other governments	4,219	13,047	12,968	4,298
Total liabilities	<u>\$ 312,759</u>	<u>\$ 29,496,271</u>	<u>\$ 28,758,491</u>	<u>\$ 1,050,539</u>

## **LONG-TERM DEBT**

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**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES**  
**JUNE 30, 2007**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Governmental Activities</b>				
<b>General Obligation</b>				
1999A Essential corporate purpose, issued				
June 1, 1999	2008	4.35%	\$ 79,046	\$ 290,000
	2009	4.40%	66,430	290,000
	2010	4.45%	53,670	240,000
	2011	4.50%	42,990	240,000
	2012	4.55%	32,190	240,000
	2013	4.60%	21,270	240,000
	2014	4.65%	10,230	220,000
			305,826	1,760,000
2002A Essential corporate purpose, issued April 1, 2002				
	2008	4.25%	291,126	200,000
	2009	4.25%	282,626	200,000
	2010	4.25%	274,126	750,000
	2011	4.35%	242,250	750,000
	2012	4.45%	209,626	750,000
	2013	4.55%	176,250	750,000
	2014	4.60%	142,126	750,000
	2015	4.70%	107,626	750,000
	2016	4.80%	72,376	750,000
	2017	4.85%	36,376	750,000
			1,834,508	6,400,000
2002B Essential corporate purpose refunding bonds, issued				
April 1, 2002	2008	3.90%	36,188	445,000
	2009	4.05%	18,832	465,000
			55,020	910,000
2003A Essential corporate purpose refunding bonds, issued				
April 1, 2003	2008	2.55%	73,498	360,000
	2009	2.95%	64,318	365,000
	2010	3.15%	53,550	380,000
	2011	3.40%	41,580	390,000
	2012	3.60%	28,320	370,000
	2013	3.75%	15,000	400,000
			276,266	2,265,000

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2007**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Governmental Activities (continued)</b>				
<b>General Obligation (continued)</b>				
2004A Essential corporate purpose, issued June 1, 2004	2008	6.00%	\$ 78,110	\$ 5,000
	2009	5.50%	77,983	5,000
	2010	5.75%	77,840	5,000
	2011	5.75%	77,683	5,000
	2012	5.75%	77,512	5,000
	2013	4.75%	77,330	150,000
	2014	4.10%	71,630	350,000
	2015	4.20%	57,805	360,000
	2016	4.30%	43,225	375,000
	2017	4.40%	27,662	395,000
	2018	4.50%	10,875	250,000
			677,655	1,905,000
Equipment loan note, issued February 1, 2005	2008	0.00%	-	13,840
	2009	0.00%	-	13,841
	2010	0.00%	-	13,840
	2011	0.00%	-	13,841
	2012	0.00%	-	13,840
	2013	0.00%	-	13,841
	2014	0.00%	-	13,840
	2015	0.00%	-	13,841
			-	110,724
2005B Essential corporate purpose refunding bonds, issued April 1, 2005	2008	3.10%	40,350	300,000
	2009	3.25%	31,050	300,000
	2010	3.35%	21,300	100,000
	2011	3.50%	17,950	200,000
	2012	3.65%	10,950	300,000
			121,600	1,200,000
2006A Capital loan notes, issued June 1, 2006	2008	4.15%	57,264	150,000
	2009	4.15%	51,040	155,000
	2010	4.25%	44,484	160,000
	2011	4.30%	37,684	165,000
	2012	4.35%	30,460	175,000
	2013	4.35%	22,739	180,000
	2014	4.38%	14,766	190,000
	2015	4.38%	6,453	195,000
			264,890	1,370,000
				(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2007**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Governmental Activities (continued)</b>				
<b>General Obligation (continued)</b>				
Total general obligation	2008		\$ 655,582	\$ 1,763,840
	2009		592,279	1,793,841
	2010		524,970	1,648,840
	2011		460,137	1,763,841
	2012		389,058	1,853,840
	2013		312,589	1,733,841
	2014		238,752	1,523,840
	2015		171,884	1,318,841
	2016		115,601	1,125,000
	2017		64,038	1,145,000
	2018		10,875	250,000
			<u>\$ 3,535,765</u>	<u>\$ 15,920,724</u>
<b>Tax Increment Financing</b>				
Urban renewal tax increment revenue bonds, issued				
June 1, 1999	2008	4.50%	\$ 176,493	\$ 260,000
	2009	4.50%	164,793	270,000
	2010	4.50%	152,643	280,000
	2011	4.50%	140,043	290,000
	2012	4.55%	126,993	300,000
	2013	4.60%	113,343	310,000
	2014	4.60%	99,083	320,000
	2015	4.63%	84,363	330,000
	2016	4.70%	69,100	340,000
	2017	4.80%	53,120	350,000
	2018	4.85%	36,320	370,000
	2019	4.90%	18,375	375,000
			<u>1,234,669</u>	<u>3,795,000</u>
Urban renewal tax increment revenue bonds, issued				
June 30, 2003	2008	5.00%	4,837	128,438
Total tax increment financing				
	2008		181,330	388,438
	2009		164,793	270,000
	2010		152,643	280,000
	2011		140,043	290,000
	2012		126,993	300,000
	2013		113,343	310,000
	2014		99,083	320,000
	2015		84,363	330,000
	2016		69,100	340,000
	2017		53,120	350,000
	2018		36,320	370,000
	2019		18,375	375,000
			<u>\$ 1,239,506</u>	<u>\$ 3,923,438</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2007**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Governmental Activities (continued)</b>				
Total governmental activities	2008		\$ 836,912	\$ 2,152,278
	2009		757,072	2,063,841
	2010		677,613	1,928,840
	2011		600,180	2,053,841
	2012		516,051	2,153,840
	2013		425,932	2,043,841
	2014		337,835	1,843,840
	2015		256,247	1,648,841
	2016		184,701	1,465,000
	2017		117,158	1,495,000
	2018		47,195	620,000
	2019		18,375	375,000
			<u>\$ 4,775,271</u>	<u>\$ 19,844,162</u>
<b>Enterprise Funds</b>				
Water Pollution Control, capital loan notes, issued				
May 15, 2003	2008	3.00%	\$ 130,380	\$ 306,000
	2009	3.00%	121,200	315,000
	2010	3.00%	111,750	325,000
	2011	3.00%	102,000	335,000
	2012	3.00%	91,950	345,000
	2013	3.00%	81,600	355,000
	2014	3.00%	70,950	366,000
	2015	3.00%	59,970	377,000
	2016	3.00%	48,660	388,000
	2017	3.00%	37,020	399,000
	2018	3.00%	25,050	411,000
	2019	3.00%	12,720	424,000
			<u>893,250</u>	<u>4,346,000</u>
Water Pollution Control, refunding bonds, issued				
April 1, 2005	2008	3.55%	65,983	260,000
	2009	3.55%	56,753	260,000
	2010	3.55%	47,523	260,000
	2011	3.55%	38,293	260,000
	2012	3.65%	29,063	260,000
	2013	3.75%	19,573	255,000
	2014	3.85%	10,010	260,000
			<u>267,198</u>	<u>1,815,000</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2007**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Enterprise Funds (continued)</b>				
Total enterprise funds	2008		\$ 196,363	\$ 566,000
	2009		177,953	575,000
	2010		159,273	585,000
	2011		140,293	595,000
	2012		121,013	605,000
	2013		101,173	610,000
	2014		80,960	626,000
	2015		59,970	377,000
	2016		48,660	388,000
	2017		37,020	399,000
	2018		25,050	411,000
	2019		12,720	424,000
			<u>\$ 1,160,448</u>	<u>\$ 6,161,000</u>
 <b>Component Unit, Water Works</b>				
Revenue bonds, issued December 1998	2008	4.00%	<u>\$ 14,600</u>	<u>\$ 365,000</u>

**STATISTICAL SECTION (UNAUDITED)**

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**CITY OF MARSHALLTOWN, IOWA**  
**STATISTICAL SECTION**

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	97
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	106
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	110
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	116
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	118

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

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

	<b>Fiscal Year</b>				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 14,837,533	\$ 10,902,193	\$ 9,538,473	\$ 7,585,973	\$ 14,182,084
Restricted	3,093,281	2,465,406	1,401,272	976,110	2,408,818
Unrestricted	<u>9,609,800</u>	<u>8,572,318</u>	<u>8,412,821</u>	<u>8,036,183</u>	<u>7,318,392</u>
Total governmental activities net assets	<u>\$ 27,540,614</u>	<u>\$ 21,939,917</u>	<u>\$ 19,352,566</u>	<u>\$ 16,598,266</u>	<u>\$ 23,909,294</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 27,975,107	\$ 28,081,324	\$ 28,091,451	\$ 27,579,870	\$ 18,870,233
Restricted	949,930	1,382,713	1,285,042	1,424,373	1,625,224
Unrestricted	<u>4,708,652</u>	<u>3,531,327</u>	<u>3,462,591</u>	<u>2,862,230</u>	<u>2,811,086</u>
Total business-type activities net assets	<u>\$ 33,633,689</u>	<u>\$ 32,995,364</u>	<u>\$ 32,839,084</u>	<u>\$ 31,866,473</u>	<u>\$ 23,306,543</u>
<b>Primary Government</b>					
Invested in capital assets, net of related debt	\$ 42,812,640	\$ 38,983,517	\$ 37,629,924	\$ 35,165,843	\$ 33,052,317
Restricted	4,043,211	3,848,119	2,686,314	2,400,483	4,034,042
Unrestricted	<u>14,318,452</u>	<u>12,103,645</u>	<u>11,875,412</u>	<u>10,898,413</u>	<u>10,129,478</u>
Total primary government net assets	<u>\$ 61,174,303</u>	<u>\$ 54,935,281</u>	<u>\$ 52,191,650</u>	<u>\$ 48,464,739</u>	<u>\$ 47,215,837</u>

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

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

	<b>Fiscal Year</b>				
	2007	2006	2005	2004	2003
<b>Expenses</b>					
Governmental activities:					
Public safety	\$ 7,221,486	\$ 7,343,575	\$ 6,718,838	\$ 7,334,477	\$ 6,704,841
Public works	4,002,011	3,938,080	4,975,532	4,132,829	4,067,481
Health and social services	1,404,277	1,361,077	1,336,175	783,075	455,506
Culture and recreation	2,477,842	2,893,559	2,356,111	2,669,207	2,462,897
Community and economic development	1,992,572	1,694,889	1,743,784	2,495,685	1,744,724
General government	1,271,344	1,028,482	975,510	1,038,353	1,083,663
Interest on long term debt	910,061	921,460	1,037,688	984,214	1,137,323
Total governmental activities expenses	<u>19,279,593</u>	<u>19,181,122</u>	<u>19,143,638</u>	<u>19,437,840</u>	<u>17,656,435</u>
Business-type activities:					
Storm sewer	451,013	423,426	472,913	408,532	-
Water pollution control	3,935,556	4,096,849	4,153,055	3,677,871	3,563,400
Compost	37,472	44,066	47,634	35,357	40,971
Concessions	53,291	54,725	44,416	58,824	14,900
Transit	501,321	438,430	419,640	492,115	531,734
Total business-type activities expenses	<u>4,978,653</u>	<u>5,057,496</u>	<u>5,137,658</u>	<u>4,672,699</u>	<u>4,151,005</u>
Total primary government expenses	<u>\$ 24,258,246</u>	<u>\$ 24,238,618</u>	<u>\$ 24,281,296</u>	<u>\$ 24,110,539</u>	<u>\$ 21,807,440</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for service:					
Public safety	\$ 550,576	\$ 104,082	\$ 257,712	\$ 172,460	\$ 104,795
Public works	663,753	636,645	401,644	643,004	483,067
Health and social services	68,541	-	-	-	-
Culture and recreation	488,282	687,079	632,892	651,286	350,488
Community and economic development	184,928	230,674	307,867	272,422	301,441
Other activities	83,055	171,517	122,900	112,633	163,010
Operating grants and contributions	5,739,079	5,440,505	5,265,563	5,510,052	4,887,463
Capital grants and contributions	2,898,828	1,461,418	971,519	517,296	697,162
Total governmental activities program revenues	<u>10,677,042</u>	<u>8,731,920</u>	<u>7,960,097</u>	<u>7,879,153</u>	<u>6,987,426</u>
Business-type activities					
Charges for service:					
Storm sewer	334,058	327,807	306,892	274,397	-
Water pollution control	4,051,010	3,657,366	3,649,510	3,593,272	3,613,023
Compost	22,405	26,627	35,620	41,526	43,914
Concessions	61,732	67,014	59,149	71,121	25,764
Transit	85,433	118,473	123,760	136,637	102,802
Operating grants and contributions	253,130	453,792	273,126	198,530	185,399
Capital grants and contributions	239,065	227,315	1,276,587	472,261	473,479
Total business-type activities program revenues	<u>5,046,833</u>	<u>4,878,394</u>	<u>5,724,644</u>	<u>4,787,744</u>	<u>4,444,381</u>
Total primary government program revenues	<u>\$ 15,723,875</u>	<u>\$ 13,610,314</u>	<u>\$ 13,684,741</u>	<u>\$ 12,666,897</u>	<u>\$ 11,431,807</u>

(continued)

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

	<b>Fiscal Year</b>				
	2007	2006	2005	2004	2003
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (8,602,551)	\$ (10,449,202)	\$ (11,183,541)	\$ (11,558,687)	\$ (10,669,009)
Business-type activities	<u>68,180</u>	<u>(179,102)</u>	<u>586,986</u>	<u>115,045</u>	<u>293,376</u>
Total primary government net expense	<u>\$ (8,534,371)</u>	<u>\$ (10,628,304)</u>	<u>\$ (10,596,555)</u>	<u>\$ (11,443,642)</u>	<u>\$ (10,375,633)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property	\$ 7,523,858	\$ 7,006,898	\$ 6,660,061	\$ 6,413,043	\$ 6,179,720
Other	5,697,114	4,928,051	5,891,242	5,067,338	5,335,391
Unrestricted					
State generated revenues	343,333	383,643	401,992	415,760	925,838
Investment earnings	655,348	477,315	288,581	167,696	217,902
Miscellaneous revenues	297,817	385,881	726,918	540,411	624,720
Transfers	<u>(314,222)</u>	<u>(145,235)</u>	<u>(120,380)</u>	<u>(8,356,589)</u>	<u>(101,045)</u>
Total governmental activities	<u>14,203,248</u>	<u>13,036,553</u>	<u>13,848,414</u>	<u>4,247,659</u>	<u>13,182,526</u>
Business-type activities:					
Investment earnings	255,923	190,147	113,190	88,296	142,525
Transfers	<u>314,222</u>	<u>145,235</u>	<u>120,380</u>	<u>8,356,589</u>	<u>101,045</u>
Total business-type activities	<u>570,145</u>	<u>335,382</u>	<u>233,570</u>	<u>8,444,885</u>	<u>243,570</u>
Total primary government	<u>\$ 14,773,393</u>	<u>\$ 13,371,935</u>	<u>\$ 14,081,984</u>	<u>\$ 12,692,544</u>	<u>\$ 13,426,096</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 5,600,697	\$ 2,587,351	\$ 2,664,873	\$ (7,311,028)	\$ 2,513,517
Business-type activities	<u>638,325</u>	<u>156,280</u>	<u>820,556</u>	<u>8,559,930</u>	<u>536,946</u>
Total primary government	<u>\$ 6,239,022</u>	<u>\$ 2,743,631</u>	<u>\$ 3,485,429</u>	<u>\$ 1,248,902</u>	<u>\$ 3,050,463</u>

Note:

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

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

Function/Program	Program Revenues by Fiscal Year				
	2007	2006	2005	2004	2003
<b>Governmental activities</b>					
Public safety	\$ 1,198,228	\$ 764,806	\$ 846,528	\$ 795,550	\$ 615,517
Public works	4,322,473	4,009,030	2,868,644	3,374,676	3,249,541
Health and social services	1,021,964	1,088,238	841,310	513,723	152,900
Culture and recreation	2,068,851	949,630	1,433,444	1,180,190	943,008
Community and economic development	1,982,471	1,823,109	1,868,320	1,914,974	1,866,125
General government	83,055	97,107	101,851	100,040	160,335
Total governmental activities	<u>\$ 10,677,042</u>	<u>\$ 8,731,920</u>	<u>\$ 7,960,097</u>	<u>\$ 7,879,153</u>	<u>\$ 6,987,426</u>
<b>Business-type activities</b>					
Storm sewer	\$ 417,245	\$ 523,472	\$ 1,225,894	\$ 378,956	\$ -
Water pollution control	4,196,643	3,689,112	4,066,813	3,640,858	3,734,990
Compost	22,405	26,627	35,620	41,526	43,914
Concessions	61,732	67,014	59,149	71,121	25,764
Transit	348,808	572,169	337,168	655,283	639,713
Total business-type activities	<u>\$ 5,046,833</u>	<u>\$ 4,878,394</u>	<u>\$ 5,724,644</u>	<u>\$ 4,787,744</u>	<u>\$ 4,444,381</u>

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 260,504	\$ 254,337	\$ 270,400	\$ 317,580	\$ 325,475	\$ 284,565	\$ 256,815	\$ 215,382	\$ 219,104	\$ 245,331
Unreserved	<u>3,201,762</u>	<u>2,781,078</u>	<u>2,577,724</u>	<u>2,307,482</u>	<u>2,230,910</u>	<u>2,115,730</u>	<u>1,829,731</u>	<u>2,651,797</u>	<u>3,049,424</u>	<u>1,359,003</u>
Total general fund	<u>3,462,266</u>	<u>3,035,415</u>	<u>2,848,124</u>	<u>2,625,062</u>	<u>2,556,385</u>	<u>2,400,295</u>	<u>2,086,546</u>	<u>2,867,179</u>	<u>3,268,528</u>	<u>1,604,334</u>
All Other Governmental Funds										
Reserved	3,117,481	2,517,279	1,477,447	1,055,046	2,492,954	679,169	711,030	743,169	531,322	527,579
Unreserved reported in:										
Special revenue funds	3,256,828	2,923,224	3,371,161	4,580,157	4,327,815	4,379,485	4,390,771	4,192,641	3,402,017	3,819,674
Capital projects funds	<u>1,935,500</u>	<u>1,838,524</u>	<u>1,961,127</u>	<u>1,255,549</u>	<u>1,287,332</u>	<u>6,733,517</u>	<u>1,659,095</u>	<u>2,469,731</u>	<u>4,585,192</u>	<u>6,251,801</u>
Total all other governmental funds	<u>8,309,809</u>	<u>7,279,027</u>	<u>6,809,735</u>	<u>6,890,752</u>	<u>8,108,101</u>	<u>11,792,171</u>	<u>6,760,896</u>	<u>7,405,541</u>	<u>8,518,531</u>	<u>10,599,054</u>
Total fund balances of governmental funds	<u>\$ 11,772,075</u>	<u>\$ 10,314,442</u>	<u>\$ 9,657,859</u>	<u>\$ 9,515,814</u>	<u>\$ 10,664,486</u>	<u>\$ 14,192,466</u>	<u>\$ 8,847,442</u>	<u>\$ 10,272,720</u>	<u>\$ 11,787,059</u>	<u>\$ 12,203,388</u>

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

	<b>Fiscal Year Ended June 30,</b>				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Revenues</b>					
Taxes	\$ 13,698,670	\$ 12,373,299	\$ 12,974,773	\$ 11,876,045	\$ 11,943,200
Use of money and property	688,991	508,604	342,424	228,610	271,522
Licenses and permits	303,126	289,329	341,082	321,265	352,363
Intergovernmental	6,106,617	6,744,295	6,089,537	6,076,477	6,108,639
Charges for service	909,103	863,341	892,894	1,050,035	768,745
Special assessments	206,510	210,278	317	317	34,074
Miscellaneous	1,760,370	519,519	656,367	736,949	580,653
Total revenues	<u>23,673,387</u>	<u>21,508,665</u>	<u>21,297,394</u>	<u>20,289,698</u>	<u>20,059,196</u>
<b>Expenditures</b>					
Public safety	7,165,536	6,898,394	6,568,961	7,121,973	6,341,434
Public works	2,922,597	2,438,572	3,706,520	1,732,511	1,174,940
Health and social services	1,421,014	1,340,728	1,340,928	784,624	449,028
Culture and recreation	2,145,963	2,526,524	2,012,136	2,293,991	2,196,006
Community and economic development	1,987,416	1,682,136	1,727,405	2,487,721	1,664,266
General government	1,122,209	1,227,899	1,158,880	2,429,108	2,639,542
Capital outlay	2,351,022	3,436,407	1,581,034	4,928,180	7,053,729
Debt service					
Principal	2,041,190	1,795,178	2,101,062	1,983,850	1,515,000
Interest and other fiscal charges	932,281	928,425	1,065,517	1,009,082	1,241,506
Total expenditures	<u>22,089,228</u>	<u>22,274,263</u>	<u>21,262,443</u>	<u>24,771,040</u>	<u>24,275,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,584,159</u>	<u>(765,598)</u>	<u>34,951</u>	<u>(4,481,342)</u>	<u>(4,216,255)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of governmental assets	13,299	67,416	489,574	105,050	-
Debt issued	-	1,500,000	1,932,441	3,300,000	3,957,038
Payment of refunded bonds	-	-	(2,100,000)	-	(3,350,000)
Premium (discount) and accrued interest on debt issued	-	-	-	19,073	2,139
Transfers in	7,596,884	6,266,978	6,535,905	6,579,422	5,551,670
Transfers out	<u>(7,736,709)</u>	<u>(6,412,213)</u>	<u>(6,656,285)</u>	<u>(6,670,875)</u>	<u>(5,652,715)</u>
Total other financing sources (uses)	<u>(126,526)</u>	<u>1,422,181</u>	<u>201,635</u>	<u>3,332,670</u>	<u>508,132</u>
Net change in fund balances	<u>\$ 1,457,633</u>	<u>\$ 656,583</u>	<u>\$ 236,586</u>	<u>\$ (1,148,672)</u>	<u>\$ (3,708,123)</u>
Debt service as a percentage of noncapital expenditures	15.1%	14.5%	16.1%	15.1%	16.0%

# CITY OF MARSHALLTOWN, IOWA

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, EXCLUDING CAPITAL PROJECTS FUNDS PRIOR FIVE FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2002	2001	2000	1999	1998
<b>Revenues</b>					
Taxes	\$ 10,399,173	\$ 9,680,281	\$ 10,072,573	\$ 9,121,503	\$ 8,588,610
Use of money and property	318,771	561,913	496,762	377,407	395,515
Licenses and permits	368,173	273,959	272,179	230,645	222,355
Intergovernmental	5,279,495	4,911,482	4,829,315	4,800,775	4,507,776
Charges for service	621,387	535,874	509,159	475,590	500,972
Special assessments	23,007	4,939	124,423	4,550	35,060
Miscellaneous	321,675	427,891	319,039	380,801	476,338
Total revenues	<u>17,331,681</u>	<u>16,396,339</u>	<u>16,623,450</u>	<u>15,391,271</u>	<u>14,726,626</u>
<b>Expenditures</b>					
Community protection	6,669,862	6,233,200	5,845,373	5,697,063	5,527,949
Human development	236,778	1,734,570	1,755,480	1,570,223	1,642,914
Home and community environment	5,208,025	3,817,988	3,169,304	3,565,351	3,256,265
Policy and administration	1,024,559	993,940	920,702	842,972	876,857
Capital outlay	-	1,126,152	1,271,064	833,720	452,340
Debt service					
Principal	11,255,000	1,730,569	1,591,462	6,140,200	2,056,618
Interest and other fiscal charges	1,011,517	979,624	1,053,454	1,006,087	979,933
Total expenditures	<u>25,405,741</u>	<u>16,616,043</u>	<u>15,606,839</u>	<u>19,655,616</u>	<u>14,792,876</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,074,060)</u>	<u>(219,704)</u>	<u>1,016,611</u>	<u>(4,264,345)</u>	<u>(66,250)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	15,607,198	13,498,269	13,241,877	12,686,854	11,844,875
Transfers out	<u>(5,170,867)</u>	<u>(4,952,762)</u>	<u>(4,027,023)</u>	<u>(2,917,695)</u>	<u>(2,208,022)</u>
Total other financing sources (uses)	<u>10,436,331</u>	<u>8,545,507</u>	<u>9,214,854</u>	<u>9,769,159</u>	<u>9,636,853</u>
Net change in fund balances	<u>\$ 2,362,271</u>	<u>\$ 8,325,803</u>	<u>\$ 10,231,465</u>	<u>\$ 5,504,814</u>	<u>\$ 9,570,603</u>
Debt service as a percentage of noncapital expenditures	48.3%	17.5%	18.4%	38.0%	21.2%

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

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

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Fiscal year	Property Tax	Tax Increment Financing Tax	Utility Excise Tax	Utility Franchise Fee	Hotel/Motel Tax	Local Option Sales Tax	911 Surcharge	Mobile Home Tax	Total
2002-03	\$ 6,194,625	\$ 1,510,366	\$ 1,090,939	\$ 190,260	\$ 189,548	\$ 2,525,515	\$ 223,384	\$ 18,563	\$ 11,943,200
2003-04	6,415,158	1,597,111	890,749	189,286	168,290	2,392,555	204,609	18,287	11,876,045
2004-05	6,659,496	2,312,752	862,169	189,343	171,263	2,528,335	234,253	17,162	12,974,773
2005-06	7,005,288	1,482,011	829,047	195,360	212,989	2,387,873	244,697	16,034	12,373,299
2006-07	7,526,150	1,795,068	868,036	198,668	199,910	2,818,990	277,194	14,654	13,698,670

**CITY OF MARSHALLTOWN, IOWA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**YEAR ENDED JUNE 30, 2007**  
**(MODIFIED ACCRUAL BASES OF ACCOUNTING)**

<u>Fund</u>	<u>Property Tax</u>	<u>Tax Increment Financing Tax</u>	<u>Utility Excise Tax</u>	<u>Utility Franchise Fee</u>	<u>Hotel/Motel Tax</u>	<u>Local Option Sales Tax</u>	<u>911 Surcharge</u>	<u>Mobile Home Tax</u>	<u>Total</u>
General	\$ 4,997,073	\$ -	\$ 585,572	\$ 198,668	\$ 199,910	\$ -	\$ -	\$ 10,016	\$ 5,991,239
Tax Increment									
Financing	-	1,795,068	-	-	-	-	-	-	1,795,068
E-911 Surcharge	-	-	-	-	-	-	277,194	-	277,194
Local Option									
Sales Tax	-	-	-	-	-	2,818,990	-	-	2,818,990
Property tax	657,771	-	77,185	-	-	-	-	1,265	736,221
Debt Service	1,485,442	-	160,001	-	-	-	-	2,630	1,648,073
Capital Projects	385,864	-	45,278	-	-	-	-	743	431,885
Total	<u>\$ 7,526,150</u>	<u>\$ 1,795,068</u>	<u>\$ 868,036</u>	<u>\$ 198,668</u>	<u>\$ 199,910</u>	<u>\$ 2,818,990</u>	<u>\$ 277,194</u>	<u>\$ 14,654</u>	<u>\$ 13,698,670</u>

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

Levy Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Total Regular Realty	TIF	Agland Realty	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Gross Value	Taxable Assessed Value as a Percentage of Actual Gross Value
1996	1997-98				\$ 538,791,127	\$ 13,375,774	\$ 2,476,031	\$ 554,642,932	16.11316	\$740,948,065	74.856%
1997	1998-99				540,034,614	26,124,924	2,977,942	569,137,480	16.11196	796,344,614	71.469%
1998	1999-00				557,295,805	35,447,957	2,999,894	595,743,656	15.11361	812,532,582	73.319%
1999	2000-01				475,219,315	46,453,635	3,207,378	524,880,328	12.60867	767,305,731	68.406%
2000	2001-02				482,730,476	44,573,485	3,310,601	530,614,562	12.96936	764,667,955	69.391%
2001	2002-03				494,310,987	61,244,207	3,230,403	558,785,597	12.96979	858,407,782	65.096%
2002	2003-04	\$ 302,312,215	\$ 157,828,361	\$ 41,051,206	501,191,782	55,196,316	3,218,650	559,606,748	13.08945	859,393,224	65.116%
2003	2004-05	310,460,051	160,487,151	36,753,595	507,700,797	71,047,100	2,502,624	581,250,521	13.37877	941,222,235	61.755%
2004	2005-06	318,918,021	172,425,422	46,225,042	537,568,485	44,482,642	2,464,569	584,515,696	13.37878	1,040,972,285	56.151%
2005	2006-07	333,119,910	210,662,117	50,595,114	594,377,141	51,716,709	2,469,617	648,563,467	12.94049	1,051,707,358	61.668%

Rollback Factors by Class

Fiscal Year	Gas & Electric	Tax Exempt Property	Residential	Agricultural	Commercial	Railroad
1997-98		\$ 79,173,765	56.47890	100.00000	100.00000	
1998-99		77,542,410	54.85250	96.42060	97.36060	97.36060
1999-00		79,623,089	56.26510	100.00000	100.00000	
2000-01	\$ 82,272,233	79,424,978	51.66760	96.33800	98.77320	98.77320
2001-02	82,653,397	82,264,656	51.38740	100.00000	100.00000	
2002-03	84,141,000	88,347,820	48.45580	100.00000	97.77010	97.77010
2003-04	86,485,422	89,988,114	47.96420	100.00000	100.00000	
2004-05	90,789,115	92,101,046	45.99600	100.00000	99.25740	99.25700
2005-06	67,936,113	116,039,112	47.96420	100.00000	100.00000	
2006-07	67,247,692	116,058,327	45.99600	100.00000	99.15090	99.15090

Source: Marshall County Auditor's Office

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

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

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

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

Levy year Jan 1,	Collection Year	Marshall County	Community Schools	Marshalltown	City Assessor	Community College	County Extension	State of Iowa	Total
1996	1997-98	6.80708	15.43195	16.11316	0.33748	0.99017	0.09005	0.00500	39.77489
1997	1998-99	6.80708	15.80058	16.11196	0.33387	1.05028	0.08701	0.00500	40.19578
1998	1999-00	6.06076	15.16492	15.11361	0.36848	1.01627	0.08416	0.00500	37.81320
1999	2000-01	5.98332	16.42885	12.60867	0.37346	0.82674	0.08256	0.00500	36.30860
2000	2001-02	6.15739	16.25058	12.96936	0.36356	0.83104	0.08044	0.00500	36.65737
2001	2002-03	6.01644	16.21217	12.96979	0.35227	0.85117	0.07832	0.00400	36.48416
2002	2003-04	6.08852	16.19581	13.08945	0.34538	0.92000	0.07677	0.00400	36.71993
2003	2004-05	6.56545	17.30327	13.37877	0.35723	0.98700	0.08143	0.00400	38.67715
2004	2005-06	6.73583	18.28730	13.37878	0.34571	0.93175	0.07992	0.00400	39.76329
2005	2006-07	6.60870	18.13123	12.94049	0.32273	0.98001	0.07509	0.00400	39.06225

Source: Marshall County Auditor's Office

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

Taxpayer	Jan 1, 2005		Percentage of Total City Taxable Assessed Value	Jan 1, 1996		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value Payable 06- 07	Rank		Taxable Assessed Value Payable 97- 98	Rank	
Lennox Industries Inc	\$ 14,684,500	1	2.2%	\$ 17,613,377	3	2.4%
Marshall Town Center Partners	11,976,680	2	1.8%			
Walmart, Real Estate Business	11,333,356	3	1.7%	3,667,356	9	0.5%
MMSC, Ventures Inc	10,912,430	4	1.7%			
Emerson Process Mgt/Fisher Controls	10,874,010	5	1.7%	27,159,312	2	3.7%
Swift & Company (SIPC0 in 96-97)	9,118,774	6	1.4%	11,451,729	4	1.6%
FHS, Marshalltown LP	6,602,000	7	1.0%			
Inns of Iowa Ltd	6,064,149	8	0.9%			
Gottula Properties LC	5,581,128	9	0.9%			
HyVee Food Stores	5,068,470	10	0.8%			
IES Utilities				80,155,957	1	11.0%
Tri-State, Joint Venture				7,904,210	5	1.1%
Packaging Corporation of America				5,224,400	6	0.7%
Embers of Marshalltown				4,425,000	7	0.6%
U.S. West Communications				3,693,877	8	0.5%
Gethmann, Investment Co				3,238,872	10	0.4%
	<u>\$ 92,215,497</u>		<u>14.1%</u>	<u>\$ 164,534,090</u>		<u>22.5%</u>

Note: Alliant Energy (IES Utilities), the local gas and electric provider, is now assessed a utility excise tax instead of taxes based upon their property valuation. The gas and electric assessed property value for January 1, 2005 was \$104,349,219.

**CITY OF MARSHALLTOWN, IOWA**  
**SALES TAX**  
**LAST TEN FISCAL YEARS**

Calendar Year	Taxable Retail Sales	No. of Businesses
1997	\$ 310,141,156	3,547
1998	321,765,151	3,490
1999	323,776,666	3,363
2000	309,653,376	3,282
2001	333,741,450	3,189
2002	326,679,780	3,017
2003	315,705,482	2,923
2004	317,256,826	2,902
2005	320,099,470	2,896
2006	334,897,482	3,146

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

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

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

Collection year	Levy year	Collections & State		Percent of levy collected*	State Credits Shown in Intergovernmental
		Current levy	Credits in the Current Year		
1997-98	1996	\$ 8,766,518	\$ 8,913,743	101.68%	\$ 699,050
1998-99	1997	8,830,340	9,052,925	102.52%	753,506
1999-00	1998	8,668,373	8,750,099	100.94%	691,703
2000-01	1999	6,151,536	6,309,799	102.57%	599,799
2001-02	2000	6,395,110	6,384,130	99.83%	428,580
2002-03	2001	6,588,225	6,596,381	100.12%	401,756
2003-04	2002	6,767,269	6,802,125	100.52%	386,967
2004-05	2003	7,013,159	7,059,320	100.66%	399,824
2005-06	2004	7,363,490	7,382,393	100.26%	377,105
2006-07	2005	7,690,645	7,894,457	102.65%	368,307

Note:

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

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

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

Source: General Purpose Financial Statements

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

State credits	Less prior year		Add current year		Adjusted balance
	Cash basis	accrual	accrual		
1997-98	\$ 685,403	\$ -	\$ 13,647	\$	699,050
1998-99	765,345	(13,647)	1,808		753,506
1999-00	672,718	(1,808)	20,793		691,703
2000-01	608,869	(20,793)	11,723		599,799
2001-02	427,299	(11,723)	13,004		428,580
2002-03	407,362	(13,004)	7,398		401,756
2003-04	386,672	(7,398)	7,693		386,967
2004-05	388,392	(7,693)	19,125		399,824
2005-06	375,228	(19,125)	21,002		377,105
2006-07	368,453	(21,002)	20,856		368,307

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

Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities			Personal Income	Percentage of Personal Income	Population	Per Capita
	General Obligation Bonds	Notes Payable	Urban Renewal Tax Increment Revenue Bonds and Notes	Revenue Bonds	Sewer Revenue Capital Loan Note Payable	Total Primary Government				
1998	\$ 14,775,000	\$ 540,000	\$ 4,365,000	\$ 8,495,000	\$ -	\$ 28,175,000	\$ 16,265	1,732	25,827	\$ 1,091
1999	16,875,000	470,000	4,475,000	8,075,000	-	29,895,000	16,632	1,797	25,925	1,153
2000	15,675,000	150,000	4,435,000	7,450,000	-	27,710,000	17,003	1,630	26,009	1,065
2001	14,185,000	50,000	4,330,000	6,790,000	-	25,355,000	17,823	1,423	26,019	974
2002	19,745,000	-	4,290,000	6,210,000	-	30,245,000	18,643	1,622	26,030	1,162
2003	18,435,000	-	4,692,038	5,435,000	621,705	29,183,743	19,463	1,499	26,040	1,121
2004	18,995,000	-	5,448,188	4,020,000	4,122,638	32,585,826	20,283	1,607	26,051	1,251
2005	17,405,000	138,404	4,637,129	3,330,000	4,348,000	29,858,533	21,103	1,415	26,060	1,146
2006	17,465,000	124,564	4,295,788	2,585,000	4,347,000	28,817,352	21,926	1,314	26,068	1,105
2007	15,810,000	110,724	3,923,438	1,815,000	4,346,000	26,005,162	22,855	1,138	26,073	997

Source: DemographicsNow

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
1998	\$ 14,775,000	\$ 540,000	\$ 15,315,000	2.07	\$ 941.59
1999	16,875,000	470,000	17,345,000	2.18	1,042.87
2000	15,675,000	150,000	15,825,000	1.95	930.72
2001	14,185,000	50,000	14,235,000	1.86	798.69
2002	19,745,000	-	19,745,000	2.58	1,059.11
2003	18,435,000	-	18,435,000	2.15	947.18
2004	18,995,000	-	18,995,000	2.21	936.50
2005	17,405,000	138,404	17,543,404	1.86	831.32
2006	17,465,000	124,564	17,589,564	1.69	802.22
2007	15,810,000	110,724	15,920,724	1.51	610.62

**CITY OF MARSHALLTOWN, IOWA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2007**

Name of Governmental Unit	Debt Outstanding	Percentage Applicable to Marshalltown	City of Marshalltown Share of Debt
Iowa Valley Schools	\$ 30,415,000	55.04%	\$ 16,740,416
Marshalltown Community School District	24,700,000	83.41%	20,602,270
Marshall County	<u>6,055,000</u>	54.35%	<u>3,290,893</u>
	61,170,000		40,633,579
City of Marshalltown	<u>19,844,162</u>	100.00%	<u>19,844,162</u>
	<u>\$ 81,014,162</u>		<u>\$ 60,477,741</u>

Source:

Individual governmental units. (Includes bonded and TIF debt.)

Marshall County Auditor's Office.

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

	Fiscal Year Ending June 30,									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Gross assessed valuations:										
Regular realty	\$ 1,001,496,418	\$ 898,088,147	\$ 867,672,511	\$ 804,677,548	\$ 793,933,172	\$ 716,783,869	\$ 717,519,561	\$ 774,036,481	\$ 767,129,346	\$ 724,711,878
Utility	104,349,219	98,401,496	90,789,115	86,485,422	84,141,000	82,653,397	82,272,233	-	-	-
Incremental	<u>51,716,709</u>	<u>44,485,642</u>	<u>71,047,100</u>	<u>55,196,316</u>	<u>61,244,207</u>	<u>44,573,485</u>	<u>46,453,635</u>	<u>35,447,957</u>	<u>26,124,924</u>	<u>13,375,774</u>
Total actual valuations										
applicable to debt	<u>1,157,562,346</u>	<u>1,040,975,285</u>	<u>1,029,508,726</u>	<u>946,359,286</u>	<u>939,318,379</u>	<u>844,010,751</u>	<u>846,245,429</u>	<u>809,484,438</u>	<u>793,254,270</u>	<u>738,087,652</u>
Debt limit - 5% of total										
actual valuations applicable										
to debt	<u>57,878,117</u>	<u>52,048,764</u>	<u>51,475,436</u>	<u>47,317,964</u>	<u>46,965,919</u>	<u>42,200,538</u>	<u>42,312,271</u>	<u>40,474,222</u>	<u>39,662,714</u>	<u>36,904,383</u>
Amount of debt applicable										
to limitation:										
General obligation										
bonds and notes	15,920,724	17,589,564	17,543,404	18,995,000	18,435,000	19,745,000	14,235,000	15,825,000	17,345,000	19,215,000
Urban renewal tax increment										
revenue bonds	<u>3,923,438</u>	<u>4,295,788</u>	<u>4,637,126</u>	<u>5,448,188</u>	<u>4,692,038</u>	<u>4,290,000</u>	<u>4,330,000</u>	<u>4,435,000</u>	<u>4,475,000</u>	<u>465,000</u>
Total debt applicable to limitation	19,844,162	21,885,352	22,180,530	24,443,188	23,127,038	24,035,000	18,565,000	20,260,000	21,820,000	19,680,000
Less:										
Funds available from:										
Debt service	281,555	238,506	217,083	542,533	568,175	596,133	670,450	554,693	351,088	347,339
Special revenue	<u>632,232</u>	<u>998,446</u>	<u>615,975</u>	<u>187,331</u>	<u>713,951</u>	<u>270,840</u>	<u>213,563</u>	<u>181,014</u>	<u>155,253</u>	<u>-</u>
Total debt applicable to debt margin	<u>18,930,375</u>	<u>20,648,400</u>	<u>21,347,472</u>	<u>23,713,324</u>	<u>21,844,912</u>	<u>23,168,027</u>	<u>17,680,987</u>	<u>19,524,293</u>	<u>21,313,659</u>	<u>19,332,661</u>
Legal debt margin	<u>\$ 38,947,742</u>	<u>\$ 31,400,364</u>	<u>\$ 30,127,964</u>	<u>\$ 23,604,640</u>	<u>\$ 25,121,007</u>	<u>\$ 19,032,511</u>	<u>\$ 24,631,284</u>	<u>\$ 20,949,929</u>	<u>\$ 18,349,055</u>	<u>\$ 17,571,722</u>

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

<b>Water Pollution Control</b>				<b>Debt Service Requirements</b>			
<b>Year</b>	<b>Gross Revenue</b>	<b>Expenses (1)</b>	<b>Available For Debt Service</b>	<b>Principal</b>	<b>Interest &amp; other debt expense</b>	<b>Total</b>	<b>Coverage</b>
1997-98	\$ 3,372,463	\$ 1,779,400	\$ 1,593,063	\$ 80,000	\$ 314,406	\$ 394,406	4.04
1998-99	3,475,081	1,844,893	1,630,188	420,000	451,637	871,637	1.87
1999-00	3,452,591	1,872,024	1,580,567	625,000	330,152	955,152	1.65
2000-01	3,693,270	1,994,830	1,698,440	660,000	376,281	1,036,281	1.64
2001-02	3,768,757	2,123,166	1,645,591	690,000	356,418	1,046,418	1.57
2002-03	3,755,193	2,279,904	1,475,289	775,000	314,179	1,089,179	1.35
2003-04	3,693,877	2,323,665	1,370,212	1,415,000	333,572	1,748,572	0.78
2004-05	3,802,434	2,581,717	1,220,717	2,823,483	331,773	3,155,256	0.39
2005-06	3,831,282	2,612,861	1,218,421	746,000	274,290	1,020,290	1.19
2006-07	4,279,994	2,484,430	1,795,564	771,000	246,351	1,017,351	1.76

(1) Total operating expenses, less depreciation.

Sources: City Financial Records and Water Works Financial Records

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

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Calendar Year	Median Age (Zip 50158)	School Enrollment		Unemployment Percent
		Public	Private	
	(1)	(2)	(3)	(4)
1998	N/A	4,823	257	2.90
1999	39.7	4,941	247	2.40
2000	39.7	4,916	248	2.70
2001	39.0	4,964	248	2.90
2002	39.0	4,939	235	3.80
2003	39.0	4,913	234	5.40
2004	39.2	4,895	194	5.80
2005	39.4	4,913	182	5.10
2006	39.5	5,030	187	3.80
2007	40.4	5,035	185	4.00

Sources:

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

NA: Information was not available at time of printing

**CITY OF MARSHALLTOWN, IOWA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)**

Employer	Industry	2007- Employees	1998- Employees
Swift & Company	Pork processors	2,200	1,920
Lennox Industries, Inc	Furnace and air conditioning manufacturer	1,369	1,200
Emerson Process Mgt/Fisher Controls	Valves and regulators manufactuer	1,200	1,492
Iowa Veteran's Home	Hospital care facility	1,000	899
Marshalltown Community School District	Education	850	850
Marshalltown Medical and Surgical Center	Hospital	675	700
Wal-Mart	Retail	325	-
HyVee Food Stores *	Grocery store	320	350
McFarland Clinic PC	Medical clinic	223	-
City of Marshalltown	Municipal government	185	176
Marshall County	County government	175	285
Kiowa Corporation	Aluminum and zinc die casting	-	221

Source: Marshalltown Chamber of Commerce

\* Includes full time, part time and seasonal employees

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

Function/Program	Full-time-Equivalent Employees as of June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Public Safety	100.13	98.13	103.63	96.46	100.42	100.90	101.66	101.47	100.38	99.55
Public Works	18.31	18.69	18.87	20.13	22.80	22.95	22.78	21.55	21.94	22.30
Health and Social Services	7.78	7.33	8.11	7.68	5.78	5.10	4.36	3.71	2.89	2.71
Culture and Recreation	25.28	25.08	28.85	34.13	36.55	33.87	25.09	25.46	26.01	25.50
Community and Economic Development	3.15	2.92	2.94	3.75	3.88	3.69	4.99	4.91	5.51	4.70
General Government	17.89	17.85	18.55	18.47	19.71	19.00	19.45	19.10	20.00	21.21
Business-Type	30.34	29.75	30.70	30.87	29.19	27.97	27.71	27.41	26.85	26.39
Capital Projects	0.45	0.19	0.15	0.65	0.08	-	-	-	-	-
Total	<u>203.33</u>	<u>199.94</u>	<u>211.80</u>	<u>212.14</u>	<u>218.41</u>	<u>213.48</u>	<u>206.04</u>	<u>203.61</u>	<u>203.58</u>	<u>202.36</u>

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

Function/Program	Fiscal Year				
	2007	2006	2005	2004	2003
General Government					
Building Permits:					
New Construction:					
Number of permits	49	40	50	55	87
Value of permits	11,058,000	9,260,000	11,054,000	13,441,000	19,684,000
Remodeling, repairs and additions:					
Number of permits	131	131	126	120	139
Value of permits	17,893,700	11,758,000	20,799,600	7,489,900	15,805,900
Police					
Physical arrests	N/A	2,415	2,681	2,705	2,466
Violations:					
Parking	N/A	7,858	8,570	8,433	11,901
Traffic	N/A	6,585	6,245	6,660	4,486
Drunk driving	N/A	220	228	148	151
Narcotics	N/A	274	291	290	260
Fire					
Emergency responses	N/A	1,996	1,879	1,862	1,887
Fires extinguished	N/A	49	44	59	75
Inspections	N/A	461	555	386	226
Parks and recreation					
Adult team sports					
Leagues	N/A	16	15	14	14
Participation	N/A	2,711	2,434	2,854	2,854
Youth activities					
Programs	N/A	N/A	32	25	25
Participation	N/A	N/A	8189	5413	5344
Library					
Volumes in collection	90,561	88,362	82,269	83,931	79,264
Total volumes borrowed	231,420	215,953	200,652	190,749	192,004
Sewage system					
Per million					
Daily average treatment in gallons	5.89	4.92	4.57	5.60	4.66
Maximum daily capacity of treatment					
plant in thousands of gallons	17,440	13,040	13,040	13,040	13,040
Sewer customers served	9448	9,426	9,723	10,774	10,774
				*	*
* computer software was counting sewer credit meters					
Sewer rates in effect					
Base charge per month	\$9.51	\$9.51	\$9.51	\$9.51	\$9.51
Flow charge per 100 cubic feet	\$1.55	\$1.47	\$1.31	\$1.31	\$1.31
Transit					
Total route miles	N/A	96,458	113,037	122,256	141,955
# of passengers	N/A	112,885	115,158	127,139	131,807
General Elections - November of each year					
Registered voters	17,015	29,795	28,549	27,333	N/A
Number of votes cast	8,296	19,447	19,340	19,233	2,493
Percentage of registered voters voting	48.76%	65.27%	67.74%	70.37%	N/A

Ending June 30,				
2002	2001	2000	1999	1998
59	51	48	34	51
28,425,000	11,574,000	5,804,800	12,607,000	10,333,000
191	179	206	182	196
13,421,600	7,467,600	16,727,900	5,085,600	5,971,800
3,011	2,710	2,582	N/A	N/A
8,680	10,401	9,718	10,269	10,636
4,647	7,486	9,177	8,199	9,076
148	158	111	169	175
253	239	162	133	187
1,966	2,072	1,952	1,885	2,007
62	56	68	71	53
324	269	345	376	289
13	13	13	12	12
2,607	2,591	2,589	2,620	2,776
21	23	25	22	23
3807	4514	6731	5386	2804
77,201	74,312	69,265	68,778	65,621
174,292	168,084	177,846	176,218	174,614
N/A	N/A	N/A	N/A	N/A
13,040	13,040	13,040	13,040	13,040
9,264	9,261	9,168	9,507	9,507
\$9.51	\$8.36	\$8.36	\$8.36	\$8.36
\$1.31	\$1.12	\$1.12	\$1.12	\$1.12
134,446	131,743	126,065	122,169	124,775
134,784	136,920	114,595	93,522	102,336
26,078	N/A	25,427	N/A	25,473
14,186	3,254	17,760	2,636	14,131
54.40%	N/A	69.85%	N/A	55.47%

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

Function/Program	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Police</b>					
# of stations	1	1	1	1	1
# of employees	59	59	59	59	59
Non- dispatch	46	46	46	46	n/a
Dispatch	13	13	13	13	n/a
<b>Fire</b>					
# of stations	1	1	1	1	1
# of employees	30	30	29	31	31
<b>Parks and recreation</b>					
Park areas					
# parks	26	26	26	24	24
# acres	328	207	207	207	207
Athletics					
# Baseball/softball fields	6	5	5	5	5
# Soccer/football fields	6	6	6	6	6
# Tennis courts	4	6	6	6	6
Other					
# playgrounds	17	22	18	18	18
Miles of bike trails	8	8	8	8	8
# Swimming pools	1	1	1	1	1
<b>Public works</b>					
Streets:					
Paved	157.4	157.4	157.2	156.8	156.5
Unpaved	5.8	5.8	5.8	5.8	5.8
<b>Sewage system</b>					
Number of treatment plants	1	1	1	1	1
Miles of sewers					
Storm	56.4	56.1	54.6	54.6	54.5
Sanitary	145.3	144.6	144.4	143.2	142.9
<b>Transit</b>					
# of buses	10	10	10	10	10
<b>Education - Public and private</b>					
Number of elementary schools	7	7	7	7	6
Number of elementary school instructors	137	179	189	156	140
Number of secondary schools	3	3	3	3	3
Number of secondary school instructors	240	172	175	205	210
<b>Cemeteries</b>					
Number of facilities	2	2	2	2	2
Number of acres					
Developed	135	135	135	135	135
Undeveloped	80	80	80	80	80
<b>Hospitals</b>					
Number of hospitals	1	1	1	1	n/a
Number of beds	125	125	125	125	n/a

Ending June 30,				
2002	2001	2000	1999	1998
1	1	1	1	1
57	60	61	60	60
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
1	1	1	1	1
33	32	32	31	33
24	24	24	24	24
207	207	207	207	207
5	5	5	5	5
6	6	6	6	6
6	6	6	6	6
18	18	18	18	18
8	8	8	8	8
1	2	2	2	2
155.6	155	152.9	152.6	151.7
5.8	5.8	5.8	5.4	4.9
1	1	1	1	1
54	37	36.6	36.3	35.3
142.3	142	126.5	126.2	125.9
10	10	10	9	7
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
2	2	2	2	2
135	135	135	135	135
80	80	80	80	80
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a

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

	2007	2006	2005	2004	2003
<b>Revenues:</b>					
Sewer Rental	\$ 3,923,869	\$ 3,535,609	\$ 3,488,658	\$ 3,445,984	\$ 3,499,800
Interest Income	228,888	173,820	108,425	86,945	142,074
Grants	96	96	44,499	13,660	96
Miscellaneous	127,141	121,757	160,852	147,288	113,223
<b>Total revenues</b>	<b>4,279,994</b>	<b>3,831,282</b>	<b>3,802,434</b>	<b>3,693,877</b>	<b>3,755,193</b>
<b>Expenses:</b>					
Costs of Service	2,484,430	2,612,861	2,673,383	2,341,278	2,279,904
Depreciation	1,188,396	1,198,715	1,147,899	979,579	959,963
Debt Service	1,021,961	1,031,273	1,042,773	1,772,014	1,098,533
<b>Total expenses</b>	<b>4,694,787</b>	<b>4,842,849</b>	<b>4,864,055</b>	<b>5,092,871</b>	<b>4,338,400</b>
<b>Net Loss</b>	<b>\$ (414,793)</b>	<b>\$ (1,011,567)</b>	<b>\$ (1,061,621)</b>	<b>\$ (1,398,994)</b>	<b>\$ (583,207)</b>

**WATER POLLUTION CONTROL HISTORIC COVERAGE**  
**LAST FIVE FISCAL YEARS**

	2007	2006	2005	2004	2003
Net Loss	\$ (414,793)	\$ (1,011,567)	\$ (1,061,621)	\$ (1,398,994)	\$ (583,207)
Add depreciation	1,188,396	1,198,715	1,147,899	979,579	959,963
Add debt retirement	1,021,961	1,031,273	1,042,773	1,772,014	1,098,533
<b>Net income available for debt service</b>	<b>\$ 1,795,564</b>	<b>\$ 1,218,421</b>	<b>\$ 1,129,051</b>	<b>\$ 1,352,599</b>	<b>\$ 1,475,289</b>
Historic debt service	\$ 1,021,961	\$ 1,031,273	\$ 1,042,773	\$ 1,772,014	\$ 1,098,533
Historic coverage	1.80	1.18	1.08	0.76	1.34
Projected max future debt	\$ 762,363	\$ 995,769	\$ 1,008,089	\$ 998,726	\$ 1,009,166
Projected coverage	2.42	1.22	1.12	1.35	1.46

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

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Year	Residential	Multi-Family	Commercial	Industrial	Total	Incr (Decr)
1998	8,166	461	833	47	9,507	44
1999	8,215	433	826	60	9,534	27
2000	7,956	424	745	43	9,168	(366)
2001	8,051	422	744	44	9,261	93
2002	8,040	419	757	48	9,264	3
2003	7,794	469	815	46	9,124	(140)
2004	8,149	486	851	45	9,531	407
2005	8,487	436	758	42	9,723	192
2006	8,221	420	739	46	9,426	(297)
2007	8,243	416	743	46	9,448	22

Note: Due to computer modification in fiscal year 2003, a more accurate count can be ascertained.

Prior years included credit meters. Information based upon number of meters.

Source: Marshalltown Water Works

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**PRESENT NET ASSETS**  
**AS OF JUNE 30, 2007**

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Sewer Revenue Operating and Maintenance Accounts	\$	321,633
Sewer Revenue Sinking Reserve Fund Account		63,530
Sewer Revenue Improvement Fund Account		250,000
Additional Capital Replacement Fund Account		2,362,503
Sewer Revenue Reserve Fund Account		636,400
Undesignated		<u>1,267,840</u>
Total Water Pollution Control Net Assets	\$	<u><u>4,901,906</u></u>

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**MAJOR USERS – 2 YEAR COMPARISON**

	2007			2006		
	Avg Gallons Per Month	Monthly Bill	Ranking	Avg Gallons Per Month	Monthly Bill	2006 Ranking
JBS Swift & Company	51,115,750	\$ 118,157	1	51,839,692	98,732	1
IA Veterans Home	2,717,359	5,398	2	2,668,116	5,253	2
Emerson Processing/Fisher Controls	1,144,689	2,280	3	1,322,900	2,609	3
Marshalltown Community School District	881,643	1,758	4	996,772	1,968	6
Marshalltown Medical & Surgical Center	864,252	1,723	5	889,185	1,757	7
Marshalltown Company	827,413	1,650	6	1,235,821	2,438	5
Lennox Manufacturing Inc	820,057	1,636	7	1,275,714	2,517	4
Starlite Mobile Home Park	736,219	1,470	8	687,599	1,361	9
Packaging Corporation	643,280	1,285	9	612,425	1,213	11
Rainbow Carwash I & III	634,865	1,269	10	770,939	1,525	8
Sunset Village Mobile Home Park	495,737	923		680,680	1,347	10

Source: City Financial Records and Marshalltown Water Works

## **COMPLIANCE SECTION**

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CPAs & BUSINESS ADVISORS

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe item II-A-07 is a material weakness.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Marshalltown, Iowa, and are reported in Part III of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's response to a finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City's response, and accordingly, we express no opinion on it.

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

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa  
January 29, 2008



CPAs & BUSINESS ADVISORS

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

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

Compliance

We have audited the compliance of the City of Marshalltown, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Marshalltown, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Marshalltown, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control of deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Dubuque, Iowa  
January 29, 2008

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
<b>Direct</b>			
Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers	14.871	IA125VO8001	\$ <u>1,469,086</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	IALHB0292-05	<u>923,119</u>
Department of Justice			
Bulletproof Vest Partnership Program	16.607	162064008	<u>1,950</u>
Public Safety Partnership and Community Policing Grants	16.710	2003-SH-WX-0116	64,020
Public Safety Partnership and Community Policing Grants	16.710	2005-CK-WX-0521	<u>1,784</u>
			<u>65,804</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0741	1,869
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0629	2,699
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06JAG-HS-A36	<u>37,154</u>
			<u>41,722</u>
Department of Transportation			
Airport Improvement Program	20.106	3-19-0058-08	178
Airport Improvement Program	20.106	3-19-0058-09	<u>399,595</u>
			<u>399,773</u>
Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-DR-1688-IA	<u>46,404</u>
Total Direct			<u>2,947,858</u>
<b>Indirect</b>			
Department of Housing and Urban Development			
Iowa Department of Economic Development			
Community Development Block Grants/State's Program	14.228	06-CF-017	<u>233,433</u>
HOME Investment Partnerships Program	14.239	04-HM-163-42	<u>6,204</u>
Department of Justice			
Iowa Department of Justice			
Crime Victim Assistance Division			
Violence Against Women Formula Grants	16.588	VW-07-45B	<u>28,658</u>
Department of Transportation			
Iowa Department of Transportation			
Federal Transit - Capital Investment Grants	20.500	03-0104-479-05	<u>427</u>
Formula Grants for Other Than Urbanized Areas	20.509	18-0025-479-04	8,800
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-479-06	2,576
Formula Grants for Other Than Urbanized Areas	20.509	18-4027-479-06	2,395
Formula Grants for Other Than Urbanized Areas	20.509	18-4028-479-07	<u>100,272</u>
			<u>114,043</u>
Iowa Department of Public Safety			
State and Community Highway Safety	20.600	PAP 06-03, Task 10	<u>3,858</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2007**

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued)			
Department of Transportation (continued)			
Iowa Department of Public Safety (continued)			
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 07-163, Task 55	\$ 3,763
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 06-163, Task 44	1,921
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 07-03, Task 10	<u>5,194</u>
			<u>10,878</u>
Department of Education			
Iowa Department of Public Health and Substance Abuse			
Treatment Unit of Central Iowa			
Safe and Drug-Free Schools and Communities - State Grants	84.186	5886DV09	<u>2,371</u>
Department of Health and Human Services			
Iowa Department of Public Health			
Primary Healthcare, Inc.			
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5886LP06	6,068
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5887LP04	<u>8,980</u>
			<u>15,048</u>
Marshall County Coalition for Youth			
Drug-Free Communities Support Program Grants	93.276	1H79SP11427-01	<u>25,501</u>
Total indirect			<u>440,421</u>
Total			<u>\$ 3,388,279</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

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**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the City of Marshalltown, Iowa, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/State's Program	14.228	\$ 233,433

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2007**

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements and was also a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 14.228 – Community Development Block Grants/States Programs
  - CFDA Number 14.900 – Lead-Based Paint Hazard Control in Privately-Owned Housing
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Marshalltown, Iowa, qualified as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS**

II-A-07      Material Audit Adjustments – During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

Recommendation – We recognize that with a limited number of office employees and the finance department's recent turnover in personnel, preparation of the financial statements is difficult. However, we recommend that finance staff continue to receive relevant training and that management review all documentation completed by staff for use in preparing the financial statements.

Response – The City experienced vacancies in two (out of five) key staffing positions during the year. That turn over, the recruitment time, and the need to train new people affected the internal controls established. The City is in the process of providing relevant training and expects to be fully compliant by the end of the current fiscal year.

Conclusion – Response accepted.

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2007**

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**Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-07      Certified Budget – Disbursements during the year ended June 30, 2007, did not exceed the amount budgeted.
- III-B-07      Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- III-C-07      Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-07      Business Transactions – No business transactions between the City and City officials or employees were noted.
- III-E-07      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-07      Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-07      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- III-H-07      Revenue Bonds – No instances of non-compliance with the provisions of the City’s revenue bond resolutions were noted.



CPAs & BUSINESS ADVISORS

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

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We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, for the year ended June 30, 2007, and have issued our report thereon dated January 29, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated July 10, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

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. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

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## **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Marshalltown, Iowa, are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2007. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). Significant audit adjustments were recorded in the deferred revenue and prepaid areas. In our judgment, those adjustments indicate matters that could have a significant effect on the City's financial reporting process. There were no unrecorded proposed audit adjustments.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Honorable Mayor and Members of  
the City Council  
City of Marshalltown  
Page 3

## **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

## **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit.

## **Other Comments**

We have included additional comments for informational purposes.

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

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to the City of Marshalltown, Iowa.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
January 29, 2008

**CITY OF MARSHALLTOWN, IOWA**  
**YEAR ENDED JUNE 30, 2007**  
**OTHER COMMENTS**

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**New Governmental Accounting Standards Board (GASB) Statements**

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

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

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

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

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

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 50, *Pension Disclosures*, issued May 2007, will be effective for the fiscal year ending June 30, 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

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

**CITY OF MARSHALLTOWN, IOWA**  
**YEAR ENDED JUNE 30, 2007**  
**OTHER COMMENTS**

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**Risk Assessment Audit Standards**

The Auditing Standards Board of the American Institute of Certified Public Accountants has issued a suite of new auditing standards (Statements of Auditing Standards Nos. 104-111) related to the consideration of audit risk.

These statements establish standards and provide guidance concerning the auditor's assessment of the risks of material misstatement (whether caused by error or fraud) in a financial statement audit. They also provide guidance on designing and performing audit procedures that are responsive to those assessed risks. Additionally, the statements establish standards and provide guidance on planning and supervision (determining audit risk and materiality), the nature of audit evidence, and evaluating whether the audit evidence obtained affords a reasonable basis for an opinion on the financial statements under audit.

The primary objective of these standards is to enhance the auditor's consideration of audit risk by specifying, among other things:

- A more in-depth understanding of the entity and its environment, including its internal control, to identify the risks of material misstatement in the financial statements and what the entity is doing to mitigate those risks.
- Based upon the understanding obtained, a more rigorous assessment of the risks of where and how financial statements could be materially misstated.
- Improved linkage between the auditor's assessment of risks and the nature, timing, and extent of audit procedures performed in response to those risks.

Auditors will be required to implement these standards for all audit engagements for periods beginning on or after December 15, 2006. As a result, these standards will be in effect for the audit of your financial statements for the year ending June 30, 2008. These standards may have an impact on the City's audit.