

CITY OF CARROLL

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2011

Feldmann & Company CPAs, P.C.
**523 North Main Street
Carroll, Iowa 51401**

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City of Carroll

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Pedelty	Mayor	December 31, 2011
Mike Eifler	Mayor Pro Tempore	December 31, 2011
Adams Schweers	Council Member - Ward 1	December 31, 2013
Tom Tait	Council Member - Ward 2	December 31, 2011
Mike Eifler	Council Member - Ward 3	December 31, 2013
Carolyn Siemann	Council Member - Ward 4	December 31, 2011
Jeff Scharfenkamp	Council Member - At-Large	December 31, 2013
Phil Phillips	Council Member - At-Large	December 31, 2011
Gerald Clausen	City Manager	June 30, 2011 (1)
Laura Schaefer	City Clerk, Treas. & Finance Dir.	June 30, 2011 (2)
Debra K. Goetzinger	Deputy City Clerk	June 30, 2011 (2)
Randall M. Krauel	Public Works Director	June 30, 2011 (2)
Jack Wardell	Parks and Recreation Director	June 30, 2011 (2)
David S. Bruner	City Attorney	Indefinite (1)
Jeffrey Cayler	Chief of Police	Indefinite (1)
Greg Schreck	Building/Fire Safety Official	June 30, 2011 (2)
Kelly Fischbach	Library Director	June 30, 2011 (2)
Gary Schroeder	Library Trustee	December 31, 2012
Tom Louis	Library Trustee/Secretary	December 31, 2012
Greg Siemann resigned 2/21/11	Library Trustee	December 31, 2013
Ian W Granstra (Siemann replacement)	Library Trustee	December 31, 2013
Jana Bogue	Library Trustee	December 31, 2012
Lois Neu	Library Trustee	December 31, 2013
John Brockelsby (Co. Representative)	Library Trustee	December 31, 2016
Patricia Hartley	Library Trustee/President	December 31, 2016
Marilyn Setzler	Library Trustee/Vice President	December 31, 2016
Robyn Greteman	Library Trustee	December 31, 2014
Greg Siemann	Airport Commissioner	December 31, 2014
Norman Hutcheson	Airport Commissioner/Chairman	December 31, 2016
Gene Vincent	Airport Commissioner	December 31, 2011
John Knorr	Airport Commissioner	December 31, 2012
Robert Raue	Airport Commissioner	December 31, 2012

(1) Not Elected - No specific term - Employment Agreement expires on the date shown.

(2) No specific term - Salary approved to the date shown.

City of Carroll

Feldmann & Company C.P.A.s, P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carroll, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Carroll's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carroll at June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2011, on our consideration of the City of Carroll's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and pages 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 City of Carroll's financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011, (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular a-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Feldmann & Company CPAs, P.C.

October 7, 2011

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Carroll provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's governmental funds' receipts increased 20.9% or approximately \$2,483,000 from fiscal year 2010 (FY 10). The increase is mainly due to an increase in the capital grants received for the airport parallel taxiway and street projects, and an increase in hotel/motel tax and local option sales tax collections. The increase was offset by a decrease in the bond proceeds as no bonds were issued in FY 2011 (FY 11).
- Disbursements increased \$1,592,000, or about 12.6%, from FY 10. Culture and recreation, general government and capital project expenditures are the primary reason for this increase. The golf course clubhouse was remodeled, City Hall received a new roof and the airport parallel taxiway and street projects were constructed during FY 11. The increase was offset by a decrease in debt service disbursements.
- The City's governmental funds' cash balance remains strong on June 30, 2011 with an increase of \$92,000 from June 30, 2010. The business type activities funds' cash balance increased \$380,000 from June 30, 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund

financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides details about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic

development, general government, debt service and capital projects. Property taxes, user fees and state and federal grants finance most of these activities.

- Business-type activities of the City include water utility, sanitary sewer utility and the storm water utility system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains Enterprise Funds to provide separate information for the water, sewer and storm water funds, considered to be major funds of the City.

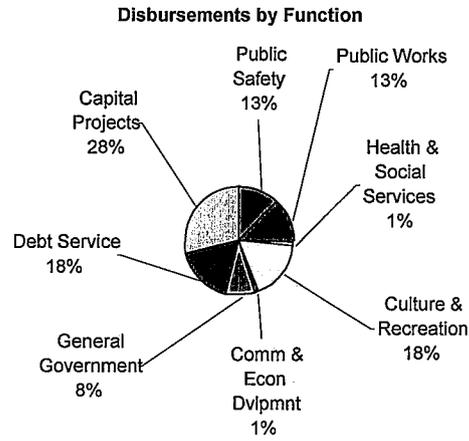
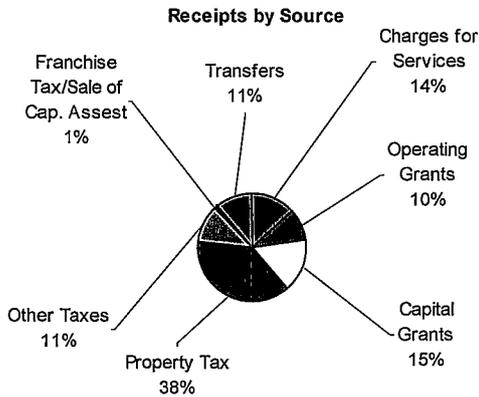
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$4.049 million to \$4.141 million. Our analysis below focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Balances of Governmental Activities
(Expressed in Thousand)

	2011	2010
Receipts & Transfers:		
Program Receipts:		
Charges for Services & Sales	\$ 1,921	\$ 1,875
Operating Grants, Contributions and Restricted Interest	1,394	1,148
Capital Grants, Contributions and Restricted interest	2,208	353
General Receipts		
Property Tax	5,492	5,293
Other Taxes	1,576	1,398
Franchise Tax & Fees	63	63
Unrestricted Investment Earnings	38	53
Bond Proceeds, Net Refunding Payment	-	367
Sale of Capital Assets	51	72
Other General Receipts	7	21
Transfers, net	1,595	1,219
Total Receipts and Transfers	<u>14,345</u>	<u>11,862</u>
Disbursements:		
Public Safety	1,782	1,714
Public Works	1,875	2,052
Health & Social Services	103	98
Culture & Recreation	2,543	2,208
Community & Economic Development	159	66
General Government	1,161	1,026
Debt Service	2,528	2,875
Capital Projects	4,102	2,622
Total Disbursements	<u>14,253</u>	<u>12,661</u>
Increase/(Decrease) in Cash Balance	92	(799)
Cash Balance Beginning of Year	<u>4,049</u>	<u>4,848</u>
Cash Balance End of Year	<u>\$ 4,141</u>	<u>\$ 4,049</u>



The City's total receipts for governmental activities increased by 20.9 percent (\$2,483,000). The total cost of all programs and services increased by approximately \$1,592,000, or about 12.6%. The increase in receipts is mainly due to an increase in capital grants and contributions due to the airport parallel taxiway and street grants received (approximately \$2.1 million).

The City increased the property tax rate in 2011 by approximately 1.16%, which generated approximately \$199,000 more property tax revenues due to increased taxable values. Based on increases in the total assessed valuation, property tax receipts (including TIF collections) are budgeted to increase an additional \$220,000 next year (FY 12).

Overall the City's governmental program receipts increased by approximately \$2,147,000, or 63.6%. Charges for services and sales and operating grants, contributions and restricted interest increased slightly from FY 10. Capital grants, contributions and restricted interest increased mainly to receiving grant money for the airport parallel taxiway and street capital projects in FY 11.

The cost of all governmental activities this year was approximately \$14.253 million compared to approximately \$12.661 million last year. However, as shown in the Statement of Activities and Net Assets on pages 18-19, the amount taxpayers ultimately financed for these activities was only \$8.730 million because some of the cost was paid by those directly benefited from the programs (\$1.921 million) or by other governments and organizations which funded certain programs with grants, contributions and restricted interest (\$3.603 million).

Business-Type Activities

Changes in Cash Balances of Business-Type Activities (Expressed in Thousand)

	2011	2010
Receipts & Transfers:		
Program Receipts:		
Charges for Services & Sales		
Water	\$ 1,482	\$ 1,483
Sewer	1,537	1,442
Storm Water	254	251
General Receipts		
Unrestricted Investment Earnings	81	93
Intergovernmental	5	19
Other General Receipts	-	170
Transfers, net	(1,595)	(1,219)
Total Receipts and Transfers	1,764	2,239
Disbursements:		
Water	801	846
Sewer	566	620
Storm Water	17	16
Total Disbursements	1,384	1,482
Increase in Cash Balance	380	757
Cash Balance Beginning of Year	5,240	4,483
Cash Balance End of Year	\$ 5,620	\$ 5,240

The cash balance at June 30, 2011 was \$5,620,000, an increase of approximately \$380,000. Revenues decreased \$475,000 from FY 10 mainly due to a developer payment of \$170,000 received in FY 10 and an increase in net transfers (transfers out) of approximately 376,000.

Total disbursements decreased by \$98,000 or 6.6% from FY 10 due mainly to less operational expenditures in the Water Utility Fund and the Sewer Utility Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$4,140,946, an increase of approximately \$92,000 from last year's total of \$4,048,551. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

- The City continues to maintain a very strong General Fund balance, which is approximately 38.5% of General Fund receipts. The General Fund balances are projected to be spent down to approximately 25% of receipts over the next few years. The City budgets to maintain a General Fund balance of 25% of receipts for bond rating purposes. This fund is being used for various projects and one-time expenditures.
- The Debt Service cash balance decreased by \$24,100 to \$46,520. The reason for the decrease is due mainly to using unspent bond proceeds to pay scheduled principal and interest payments.
- The Capital Projects Fund balance on June 30, 2011 was \$250,100, an increase of \$71,800 from FY 10. The increase is mainly due to grants received for the airport parallel taxiway and street capital projects for work completed in FY 10.
- The cash balance of the Water Utility Fund increased by \$18,500 to \$3,497,100. The accumulation of cash reserves is for future capital expenditures and increased operating costs.
- The cash balance of the Sewer Fund increased by approximately \$190,500 to \$1,175,100. The accumulation of cash reserves is for future capital expenditures including an inflow rehabilitation analysis project and increased operating costs.
- The cash balance of the storm water utility increased \$170,600 to \$947,800. The fund is used to accumulate cash reserves to help maintain the storm water utility system within the City. The cash balance will be used to pay for future capital projects.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its budget two times.

The first amendment was approved on December 13, 2010, and resulted in an increase in disbursements (including transfers) of approximately \$2.2 million and an increase in revenues and other financing sources of approximately \$1.1 million. The amendment was primarily to account for various capital projects including the golf course clubhouse remodel project, airport parallel taxiway, street rehabilitation project and Streetscape projects. The second amendment was approved on May 23, 2011, and resulted in an increase in disbursements (including transfers) of approximately \$961,000 and an increase in revenues and other financing sources of approximately \$1.1 million. The amendment was primarily to account for an airport crack sealing project funded by a grant, asphalt crushing and other street related repairs and numerous transfers of funds.

After the budget amendments, total disbursements were \$3.50 million less than the amended budget. This was primarily due to the delay of some capital purchases, unfinished construction projects and less than anticipated operating expenses.

DEBT ADMINISTRATION

At year-end, the City had approximately \$15,182,000 in bonds and other long-term debt compared to approximately \$17,179,000 last year as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	2011	2010
General Obligation Bonds	\$ 4,665	\$ 5,595
General Obligation Capital Loan Notes	2,165	2,760
Sewer Revenue Capital Loan Notes	8,352	8,824
Total	\$15,182	\$17,179

Debt decreased as a result of paying scheduled annual principal payments and no new debt issued in FY 11.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6,830,000 is well below the City's \$31.5 million legal debt limit. There is a pay down schedule on this debt with full retirement within 10 years for all the issuances except for one \$2.92 million general obligation bond (16 years-2027), and the sewer revenue capital loan notes, which have a retirement within 14 years (2025).

More detailed information about the City's long term liabilities is presented in Note 3 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's citizens and elected and appointment officials considered many factors when setting the 2012 fiscal year budget and the associated tax rates and fees for services. One of those factors is the local economy. The regional economy is stable. Unemployment was at a rate of about 4.3% (January 2011 Labor Force Summary for Carroll County obtained from the Iowa Workforce Development) which is down slightly from the January 2010 unemployment rate of 4.9%. This is compared to the State's unemployment rate of 6.1% (January 2011) and the national rate of 9.0% (January 2011).

The City is continuously pursuing new revenue sources including regional, state and federal grants. The 1% local option sales tax has generated revenue of approximately \$1.36 million in FY 11 with estimates from the State of Iowa Department of Revenue to be slightly less at approximately \$1.28 million in the next fiscal year (FY 2012).

The City has budgeted the general fund in a consistent manner to previous years. The City continues to replace smaller capital items like autos, trucks, mowers and computers as needed. The City has added no major new programs or initiatives to the fiscal year 2012 budget.

The Fiscal Year 2012 budget includes the same property tax levy as FY 2011 at \$12.92430 per \$1,000 taxable value. With taxable valuations increasing 4.04% from FY 11, property tax receipts (excluding TIF collections) to finance programs we currently offer are expected to increase approximately \$224,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laura Schaefer, City Clerk, 112 E. 5th Street, Carroll, IA 51401.

City of Carroll

Basic Financial Statements

**Statement of Activities and
Net Assets - Cash Basis
Year ended June 30, 2011**

Functions/Programs	Expenses
Governmental Activities	
Public Safety Program	\$ 1,782,233.01
Public Works Program	1,875,419.28
Health and Social Services Program	102,765.00
Culture and Recreation Program	2,542,526.01
Community & Economic Development Program	158,550.41
General Government	1,161,529.37
Debt Service	2,527,978.00
Capital Projects	4,102,417.94
Total governmental activities	14,253,419.02
Business Type Activities	
Water	801,164.53
Sewer	566,018.08
Storm Water	17,201.00
Total business type activities	1,384,383.61
Total	\$ 15,637,802.63
General Receipts:	
Property Taxes levied for:	
General purpose	
Debt Service	
Hotel Motel Tax	
Local Option Sales Tax	
Franchise taxes and fees	
Unrestricted investment earnings	
Miscellaneous	
Sale of capital assets	
Transfers	
Total general receipts and transfers	
Changes in Cash Balance	
Cash Balance beginning of year	
Cash Balance end of year	
Cash Basis Net Assets	
Restricted:	
Cemetery Perpetual Care - nonexpendable	
Rec Center Trust non expendable	
Debt Service - expendable	
Streets - expendable	
Other purposes - expendable	
Unrestricted	
Total cash basis net assets	

Program Revenues			Net (Disbursements) Receipts		
Charges for Services	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
\$ 136,097.36	\$ 198,806.20	\$ -	\$ (1,447,329.45)	\$ -	\$ (1,447,329.45)
549,958.78	937,771.16	-	(387,689.34)	-	(387,689.34)
47,580.00	-	-	(55,185.00)	-	(55,185.00)
1,157,977.48	90,573.32	31,514.00	(1,262,461.21)	-	(1,262,461.21)
2,500.00	-	27,827.00	(128,223.41)	-	(128,223.41)
26,679.92	167,490.50	-	(967,358.95)	-	(967,358.95)
-	-	-	(2,527,978.00)	-	(2,527,978.00)
-	-	2,148,415.10	(1,954,002.84)	-	(1,954,002.84)
<u>1,920,793.54</u>	<u>1,394,641.18</u>	<u>2,207,756.10</u>	<u>(8,730,228.20)</u>	<u>-</u>	<u>(8,730,228.20)</u>
1,481,748.37	2,089.02	-	-	682,672.86	682,672.86
1,537,030.63	2,970.63	-	-	973,983.18	973,983.18
254,558.09	-	-	-	237,357.09	237,357.09
<u>3,273,337.09</u>	<u>5,059.65</u>	<u>-</u>	<u>-</u>	<u>1,894,013.13</u>	<u>1,894,013.13</u>
<u>\$ 5,194,130.63</u>	<u>\$ 1,399,700.83</u>	<u>\$ 2,207,756.10</u>	<u>(8,730,228.20)</u>	<u>1,894,013.13</u>	<u>(6,836,215.07)</u>
			4,907,717.84	-	4,907,717.84
			584,328.19	-	584,328.19
			212,911.86	-	212,911.86
			1,362,692.84	-	1,362,692.84
			63,436.87	-	63,436.87
			37,849.15	81,170.06	119,019.21
			7,063.69	-	7,063.69
			51,000.00	-	51,000.00
			1,595,622.00	(1,595,622.00)	-
			<u>8,822,622.44</u>	<u>(1,514,451.94)</u>	<u>7,308,170.50</u>
			92,394.24	379,561.19	471,955.43
			4,048,551.33	5,240,465.51	9,289,016.84
			<u>\$ 4,140,945.57</u>	<u>\$ 5,620,026.70</u>	<u>\$ 9,760,972.27</u>
			\$ 356,232.48	\$ -	356,232.48
			31,534.25	-	31,534.25
			46,519.57	-	46,519.57
			231,677.86	-	231,677.86
			135,224.80	-	135,224.80
			3,339,756.61	\$ 5,620,026.70	8,959,783.31
			<u>\$ 4,140,945.57</u>	<u>\$ 5,620,026.70</u>	<u>\$ 9,760,972.27</u>

City of Carroll
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
Year ended June 30, 2011

	General
Receipts:	
Property tax	\$ 3,163,392.55
Other Taxes	212,911.86
Non-property tax	-
Use of money and property	44,780.24
Licenses and permits	81,580.33
Intergovernmental	445,674.89
Charges for service	1,620,574.03
Special assessments	-
Fines and fees	51,736.28
Miscellaneous	158,064.62
Total receipts	5,778,714.80
Disbursements:	
Public Safety	1,778,038.15
Public Works	1,092,617.15
Health and Social Services	102,765.00
Culture and Recreation	2,520,145.86
Community and Economic Development	151,316.95
General Government	1,161,529.37
Debt Service	-
Capital Projects	-
Total disbursements	6,806,412.48
Excess (deficiency) of receipts over (under) disbursements	(1,027,697.68)
Other financing sources (uses):	
Sale of property	51,000.00
Operating transfers in	984,859.70
Operating transfers(out)	(750.00)
Total other financing sources (uses)	1,035,109.70
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,412.02
Cash balance beginning of year	2,239,135.40
Cash balance end of year	\$ 2,246,547.42
Cash Basis Fund Balances	
Unspendable- Permanent fund-Cemetary Perpetual Care	\$ -
-Rec Center Trust	-
Restricted for Debt Service	-
Streets	-
Other purposes	135,224.80
Committed	383,023.00
Assigned	-
Unassigned	1,728,299.62
Total cash basis fund balances	\$ 2,246,547.42

Exhibit B

Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
\$ 584,328.19	\$ -	\$ 1,807,762.16	\$ 5,555,482.90
-	-	1,362,692.84	1,575,604.70
-	1,141.61	15,347.26	61,269.11
-	-	-	81,580.33
-	2,056,866.13	940,515.71	3,443,056.73
-	-	33,002.71	1,653,576.74
-	-	-	-
-	-	-	51,736.28
-	101,548.97	17,270.88	276,884.47
<u>584,328.19</u>	<u>2,159,556.71</u>	<u>4,176,591.56</u>	<u>12,699,191.26</u>
-	-	4,194.86	1,782,233.01
-	-	782,802.13	1,875,419.28
-	-	-	102,765.00
-	-	22,380.15	2,542,526.01
-	-	7,233.46	158,550.41
-	-	-	1,161,529.37
2,527,978.00	-	-	2,527,978.00
-	4,102,417.94	-	4,102,417.94
<u>2,527,978.00</u>	<u>4,102,417.94</u>	<u>816,610.60</u>	<u>14,253,419.02</u>
(1,943,649.81)	(1,942,861.23)	3,359,980.96	(1,554,227.76)
-	-	-	51,000.00
1,919,559.50	2,088,443.00	197,578.57	5,190,440.77
-	(73,776.86)	(3,520,291.91)	(3,594,818.77)
<u>1,919,559.50</u>	<u>2,014,666.14</u>	<u>(3,322,713.34)</u>	<u>1,646,622.00</u>
(24,090.31)	71,804.91	37,267.62	92,394.24
70,609.88	178,311.16	1,560,494.89	4,048,551.33
<u>\$ 46,519.57</u>	<u>\$ 250,116.07</u>	<u>\$ 1,597,762.51</u>	<u>\$ 4,140,945.57</u>
\$ -	\$ -	\$ 356,232.48	\$ 356,232.48
-	-	31,534.25	31,534.25
46,519.57	-	-	46,519.57
-	-	231,677.86	231,677.86
-	-	-	135,224.80
-	250,116.07	-	633,139.07
-	-	147,495.70	147,495.70
-	-	830,822.22	2,559,121.84
<u>\$ 46,519.57</u>	<u>\$ 250,116.07</u>	<u>\$ 1,597,762.51</u>	<u>\$ 4,140,945.57</u>

City of Carroll
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
Year ended June 30, 2011

	Major Fund
	Water
Receipts:	
Charges for service	\$ 1,481,748.37
Use of money and property	59,429.55
FEMA Grant Reimb	2,089.02
Miscellaneous	-
Total Receipts	1,543,266.94
Disbursements:	
Business-type activities:	
Operations	746,264.07
Capital Outlay	54,900.46
Total Disbursements	801,164.53
Excess (deficiency) of receipts over (under) disbursements	742,102.41
Other financing sources (uses):	
Bond/note proceeds	-
Operating transfers in	533,000.00
Operating transfers (out)	(1,256,600.00)
Total other financing sources (uses)	(723,600.00)
Excess of receipts and other financing sources over disbursements and other financing uses	18,502.41
Cash balance beginning of year	3,478,630.45
Cash balance end of year	\$ 3,497,132.86
Cash Basis Fund Balances	
Unrestricted	\$ 3,497,132.86
Total cash basis fund balances	\$ 3,497,132.86

Exhibit C

Enterprise Funds

Enterprise Funds		
Major Fund		
Sewer	Storm Water	Total
\$ 1,537,030.63	\$ 254,558.09	\$ 3,273,337.09
13,520.60	8,219.91	81,170.06
2,970.63	-	5,059.65
-	-	-
<u>1,553,521.86</u>	<u>262,778.00</u>	<u>3,359,566.80</u>
507,162.19	9,121.00	1,262,547.26
58,855.89	8,080.00	121,836.35
<u>566,018.08</u>	<u>17,201.00</u>	<u>1,384,383.61</u>
<u>987,503.78</u>	<u>245,577.00</u>	<u>1,975,183.19</u>
-	-	-
335,000.00	8,080.00	876,080.00
(1,132,022.00)	(83,080.00)	(2,471,702.00)
<u>(797,022.00)</u>	<u>(75,000.00)</u>	<u>(1,595,622.00)</u>
190,481.78	170,577.00	379,561.19
984,614.61	777,220.45	5,240,465.51
<u>\$ 1,175,096.39</u>	<u>\$ 947,797.45</u>	<u>\$ 5,620,026.70</u>
<u>\$ 1,175,096.39</u>	<u>\$ 947,797.45</u>	<u>\$ 5,620,026.70</u>
<u>\$ 1,175,096.39</u>	<u>\$ 947,797.45</u>	<u>\$ 5,620,026.70</u>

City of Carroll

Notes to Financial Statements

June 30, 2011

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of Carroll 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. The City has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Carroll County Assessor's Conference Board, Carroll County Solid Waste Commission, and City/County Communications Committee.

B. Basis of Presentation

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

on fees and charges for service.

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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 preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

The City also reports the following additional proprietary fund:

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water collection system.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis 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 receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balance are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, there were no disbursements that exceeded the amounts budgeted in the general government and business type activities functions.

Note 2 - Cash and Pooled Investments

The City's deposits in banks at June 30, 2011, 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.

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

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. The City's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Note 3 - Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, sewer revenue

bonds and capital loan notes are as follows:

Year Ending June 30,	General Obligation Bonds and Sewer Revenue Bonds		General Obligation Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	1,417,000	378,028	615,000	77,586	2,032,000	455,614
2013	1,406,000	344,653	525,000	57,434	1,931,000	402,087
2014	1,377,000	310,918	255,000	40,608	1,632,000	351,526
2015	687,000	281,478	265,000	31,033	952,000	312,511
2016	649,000	260,403	275,000	20,843	924,000	281,246
2017	691,000	240,533	40,000	10,018	731,000	250,551
2018	714,000	219,178	45,000	8,318	759,000	227,496
2019	736,000	196,978	45,000	6,383	781,000	203,361
2020	759,000	173,953	50,000	4,425	809,000	178,378
2021	784,000	150,063	50,000	2,225	834,000	152,288
2022	814,000	125,238	-	-	814,000	125,238
2023	838,000	99,268	-	-	838,000	99,268
2024	869,000	72,528	-	-	869,000	72,528
2025	896,000	44,673	-	-	896,000	44,673
2026	185,000	15,868	-	-	185,000	15,868
2027	195,000	8,190	-	-	195,000	8,190
	<u>\$ 13,017,000</u>	<u>\$ 2,921,950</u>	<u>\$ 2,165,000</u>	<u>\$ 258,873</u>	<u>\$ 15,182,000</u>	<u>\$ 3,180,823</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service fund.

The resolutions providing for the issuance of the general obligation bonds include the following provisions:

The funds to pay principal and interest will be provided from the levied direct annual tax, except for the sewer revenue bonds that are paid with revenue generated by the waste water enterprise fund.

On August 22, 2007, the City issued \$600,000 in General Obligation Bonds with an interest rate range of 3.85% to 4.0% to defray the costs of a parks department maintenance building and a sanitary sewer lift station in the Westfield Urban Renewal Area. The City's designated paying agent, Bankers Trust Company, N.A., Des Moines, Iowa, will pay principal of the bonds payable annually each June 1, beginning June 1, 2008, the interest on the bonds, payable initially June 1, 2008, and thereafter on each June 1 and December 1.

On June 18, 2008, the City issued \$3,660,000 in General Obligation Bonds with an interest rate range of 2.35% to 4.2% to defray the cost of the construction of the outdoor aquatic center and construction and installation of roadway and utility improvements including sanitary sewers, water main, and storm sewers within the Oak Park Subdivision Plat No. 2 Urban Renewal Area and the Westfield Urban Renewal Area of the City. The City's designated paying agent, Bankers Trust Company, N.A., Des Moines, Iowa, will pay principal on the bonds payable annually each June 1, beginning June 1, 2010, and

the interest on the bonds, payable initially December 1, 2008, and thereafter on each June 1 and December 1.

General Obligation, Revenue and Capital Loan Notes

The City issued \$11,000,000, Revenue Capital Loan Notes, Series 2003, during the year ended June 30, 2007. Capital Loan Notes totaling \$8,000,000 were issued December 23, 2003, and an additional issue on June 9, 2004, of \$3,000,000. These notes will be used to defray the costs of wastewater treatment plant improvements. Interest rate is 3.00%. Interest payments are due semiannually beginning June 1, 2004. Principal and interest payments are paid semiannually starting June 1, 2006.

The City issued General Obligation Capital Loan Note Series 2002A in the amount of \$895,000 for the purchase of a new fire equipment van (\$195,000) and for improvements to the golf course (\$700,000). The interest rate is 4.10% with interest payable semiannually commencing December 1, 2002, and principal payable annually commencing June 1, 2003.

The City issued General Obligation Capital Loan Note Series 2003A in the amount of \$1,500,000 for the Bass Street Drain #77 Storm Sewer Capital Project. The interest rate is 3.24% with interest payable semiannually commencing December 1, 2003, and principal payable annually commencing June 1, 2005.

On August 23, 2005, the City issued \$2,000,000, Capital Loan Notes, Series 2005. This note was used to defray the costs of the Fire station, Aerial Fire Truck and Corridor Phase III improvements. Interest rate ranges from 3.05% to 3.90%. Interest payments are due semiannually beginning December 1, 2005, and on each June 1 and December 1 thereafter. Principal and interest payments are to be paid annually starting June 1, 2007.

On September 11, 2006, the City issued \$515,000 in General Obligation Capital Loan Notes with an interest rate range of 4.00% to 4.45%. The net proceeds were used to pay the costs of street and sanitary sewer construction and storm sewer improvements for the Ashwood Business Park in the City. The City's designated Paying Agent, Bankers Trust Company, N.A. Des Moines, Iowa, will pay principal of the Notes, payable annually each June 1, beginning June 1, 2010, and interest on the Notes, payable initially on June 1, 2007, and thereafter on each June 1 and December 1.

On January 14, 2010, the City issued \$345,000 in General Obligation Capital Loan Notes with an interest rate range of 1.0% to 1.9%. The net proceeds were used to pay the costs of acquiring and equipping a Fire Department pumper truck. The City's designated Paying Agent, Bankers Trust Company, N.A. Des Moines, Iowa, will pay principal and interest on the Notes, payable initially on June 1, 2010, and thereafter on each June 1 and December 1.

On January 14, 2010, the City issued \$2,175,000 in General Obligation Local Option Sales Tax Refunding Capital Loan Notes Series 2010B with an average interest rate of 1.24% to advance refund \$2,145,000 of outstanding 2004 Series bonds with an average interest rate of 3.57%. The net proceeds of \$2,152,669.22 (after payment of \$23,706.28 in issuance costs) were used to pay the outstanding balance of the 2004 Series bonds and interest.

The City advance refunded the 2004 Series bonds to reduce its total debt service payments over the next 4 years by \$100,542.69 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$98,152.02.

Note 4 - Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual salary and the City is required to contribute 6.95% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$174,961, \$158,872, and \$144,939, respectively, equal to the required contributions for each year.

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, Suite 201, West Des Moines, Iowa, 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2011, 2010, and 2009 were \$151,853, \$122,321, and 126,086, respectively, which met the required minimum contribution for each year.

Note 5 - Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 60 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$357.27 for single coverage and \$893.91 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$556,586.06 and plan members eligible for benefits contributed \$33,625.98 to the plan.

Note 6 - Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave for employees other than in the Police Department is payable when used for a maximum of 180 days. Unused sick leave is not paid upon termination, retirement or death. However, in accordance with the Union agreement, upon retirement from the Police Department, the City pays a police union employee for one-fourth of all accrued sick leave over 720 hours at their current pay rate. The City's approximate liability for earned vacation, compensatory time and sick leave termination benefits payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefits</u>	<u>Liability</u> <u>June 30, 2011</u>
Vacation	\$ 143,080.63
Compensatory Time	23,207.97
Sick Leave	6,709.17
	<u>\$ 172,997.77</u>

* Computed based on rates of pay as of June 30, 2011.

Note 7 - Hospital Revenue Bonds

On November 1, 2006, the City issued a total of \$5,425,000 of Hospital Revenue Bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of St. Anthony Regional Hospital, and the bond principal and interest do not constitute liabilities of the City.

Note 8 - Land Fill Contract

The City of Carroll has an agreement with the Carroll County Solid Waste Commission for solid waste disposal, for all households and businesses within the City. For the year ended June 30, 2011, \$123,452 was paid pursuant to the agreement.

The City entered the agreement on February 25, 1971. There is no specified termination date. The City and other municipalities in the county have representation on the commission, which sets the rates paid based upon its annual budget. The charge is assessed to each municipality and the rural areas based upon population and adjusted arbitrarily based upon the distance the municipality is from the landfill to equalize hauling costs. The City of Carroll's share of the fees at June 30, 2011, was 47% of the total.

Note 9 - Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011, is as follows:

Transfer to	Transfer from	Amount			
General	Permanent Trust	Perpetual Care	\$ 3,215.01		
		Emergency Spec Rev	96,341.64		
	Special Revenue	Employee Benefits	783,675.48		
		U.R. Wittrock	10,184.66		
		Ace Builders	14,466.96		
		CP Fire Hall	4,826.95		
		Water		33,157.00	
			Sewer	38,242.00	
		General	Tort/WC Ins	750.00	
		Rec Center Trust	Permanent Trust	Permanent Rec Center Trust	291.66
				Local Option Sales Tax	838,155.00
Debt Service		Special Revenue	Oak Park Subd Plat 2	52,586.00	
	UR Ashwood		54,587.50		
	UR Westfield		212,335.00		
	Capital Projects	CP Fire Hall	3,116.00		
		Sewer	758,780.00		
Capital Projects	Special Revenue	Road Use to C.P.-Streets	540,000.00		
		LOST to Airport	70,000.00		
		LOST to CP Park & Rec	230,000.00		
	Water	CP - Streets	85,000.00		
		Corridor of Commerce	1,088,443.00		
	Enterprise	Sewer	CP - Streets	75,000.00	
			Water to Water Depr.	50,000.00	
Enterprise		UR Downtown to Water	483,000.00		
		Sewer to Sewer Depr.	35,000.00		
	Sewer to Sewer Cap Impr .	300,000.00			

		Storm Water to Storm Water	
		Cap.Impr.	8,080.00
Special Rev.	Special Revenue	Employee Benefit to Road	
		Use Tax	131,453.00
	Capital Projects	CP Aquatic to LOST	
			<u>65,833.91</u>
			<u>\$6,066,520.77</u>

* Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 10 - Risk Management

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

Iowa Municipalities Worker's Compensation Association

In July 1987, the City joined together with other cities and counties in the State to participate in the Iowa Municipalities Workers' Compensation Association (IMWCA), a public entity risk pool currently operating as a workers' compensation risk management and insurance program for 191 member cities and counties. Under the Workers' Compensation Coverage Agreement of the IMWCA, each participant of the IMWCA authorized the IMWCA to issue and sell bonds on behalf of the participants for the purpose of providing funds to pay claims and the costs of issuing such bonds. The City pays an annual premium to IMWCA to pay the City's pro rata share of the principal and interest on the bonds and administrative expenses of the IMWCA. The Workers' Compensation Coverage agreement provides that IMWCA will be self-sustaining through member premiums and will annually evaluate the need to reinsure through commercial companies to protect the fund from catastrophic claims. The City's pro rata share of the IMWCA's bonds outstanding for fiscal year ending June 30, 2011, is zero as the debt has been paid in its entirety. The City's annual contributions to IMWCA for the year ended June 30, 2011, were \$72,598.00.

Iowa Communities Assurance Pool

The City of Carroll is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 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 official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent 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 also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011, were \$93,185.42.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with property and inland marine, boiler and airport liability, and blanket bond in the amount of \$104,267, \$4,024, \$2,550, and \$446 respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11 – Related Party Transactions

The City had business transactions between the City and City Officials totaling \$5,566.47 during the year ended June 30, 2011.

City of Carroll

City of Carroll

Required Supplementary Information

City of Carroll
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Actual and Budget (Cash Basis) - All Governmental Funds and Proprietary Funds
Year ended June 30, 2011

	Governmental Fund Type Actual	Proprietary Fund Actual	Less Funds not Required to be Budgeted and Adjustments
Receipts:			
Property tax	\$ 5,555,482.90	\$ -	\$ -
Other taxes	1,575,604.70	-	-
Non-property tax	-	-	-
Use of money and property	61,269.11	81,170.06	-
Licenses and permits	81,580.33	-	-
Intergovernmental	3,443,056.73	-	-
Charges for service	1,653,576.74	3,273,337.09	-
Special assessments	-	-	-
Fines and fees	51,736.28	-	-
FEMA Grant Reimb	-	5,059.65	-
Miscellaneous	276,884.47	-	-
Total receipts	<u>12,699,191.26</u>	<u>3,359,566.80</u>	<u>-</u>
Disbursements:			
Public Safety	1,782,233.01	-	-
Public Works	1,875,419.28	-	-
Health and Social Services	102,765.00	-	-
Culture and Recreation	2,542,526.01	-	-
Community & Economic Development	158,550.41	-	-
General Government	1,161,529.37	-	-
Debt Service	2,527,978.00	-	758,780.00
Capital Projects	4,102,417.94	-	-
Total Government Activities	<u>14,253,419.02</u>	<u>-</u>	<u>758,780.00</u>
Business Type Activities	-	1,384,383.61	-
Total disbursements	<u>14,253,419.02</u>	<u>1,384,383.61</u>	<u>758,780.00</u>
Excess (deficiency) of receipts over disbursements	(1,554,227.76)	1,975,183.19	(758,780.00)
Other financing sources (uses), net	1,646,622.00	(1,595,622.00)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	92,394.24	379,561.19	(758,780.00)
Balance beginning of year	<u>4,048,551.33</u>	<u>5,240,465.51</u>	<u>-</u>
Balance end of year	<u>\$ 4,140,945.57</u>	<u>\$ 5,620,026.70</u>	<u>\$ (758,780.00)</u>

Net	Budgeted Amounts		Final to Actual	Net as % of Budget
	Original	Final	Variance Favorable (Unfavorable)	
\$ 5,555,482.90	\$ 5,353,821.00	\$ 5,363,565.00	\$ 191,917.90	104%
1,575,604.70	1,537,940.00	1,730,633.00	(155,028.30)	91%
-	-	-	-	-
142,439.17	123,500.00	123,500.00	18,939.17	115%
81,580.33	69,850.00	69,850.00	11,730.33	117%
3,443,056.73	3,420,793.00	4,635,751.00	(1,192,694.27)	74%
4,926,913.83	4,726,502.00	4,735,102.00	191,811.83	104%
-	-	-	-	-
51,736.28	-	-	51,736.28	-
5,059.65	-	-	5,059.65	-
276,884.47	343,276.00	351,776.00	(74,891.53)	79%
<u>16,058,758.06</u>	<u>15,575,682.00</u>	<u>17,010,177.00</u>	<u>(951,418.94)</u>	94%
1,782,233.01	1,855,935.00	1,855,935.00	73,701.99	96%
1,875,419.28	1,909,001.00	1,984,201.00	108,781.72	95%
102,765.00	99,945.00	103,545.00	780.00	99%
2,542,526.01	2,514,307.00	2,755,807.00	213,280.99	92%
158,550.41	293,662.00	331,283.00	172,732.59	48%
1,161,529.37	1,044,043.00	1,232,357.00	70,827.63	94%
1,769,198.00	1,768,899.00	1,769,199.00	1.00	100%
4,102,417.94	3,256,965.00	5,057,065.00	954,647.06	81%
<u>13,494,639.02</u>	<u>12,742,757.00</u>	<u>15,089,392.00</u>	<u>1,594,752.98</u>	89%
<u>1,384,383.61</u>	<u>3,286,724.00</u>	<u>3,286,724.00</u>	<u>1,902,340.39</u>	42%
<u>14,879,022.63</u>	<u>16,029,481.00</u>	<u>18,376,116.00</u>	<u>3,497,093.37</u>	81%
1,179,735.43	(453,799.00)	(1,365,939.00)	2,545,674.43	
51,000.00	-	-	(51,000.00)	
1,230,735.43	(453,799.00)	(1,365,939.00)	2,596,674.43	
<u>9,289,016.84</u>	<u>8,675,203.00</u>	<u>9,289,017.00</u>		
<u>\$ 10,519,752.27</u>	<u>\$ 8,221,404.00</u>	<u>\$ 7,923,078.00</u>		

City of Carroll

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. 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. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$3,178,031 and budgeted revenues by \$2,265,889. The budget amendments are reflected in the final budgeted amounts.

Other Supplementary Information

City of Carroll
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue Road Use Tax	Employee Benefits	Urban Renewal	LOST	Urban Renewal Witrock	Ashwood UR	Westfield UR	Oak Park Sub- division Plat 2 UR
Receipts:								
Property tax	\$ -	\$ 875,733.52	\$ 472,883.93	\$ -	\$ 10,184.66	\$ 28,715.88	\$ 228,299.91	\$ 73,902.60
Other taxes	-	-	-	1,362,692.84	-	-	-	-
Use of money and property:								
Interest on deposits	-	-	1,003.02	8,948.93	-	-	37.41	532.84
Intergovernmental:								
State funding	932,490.46	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total receipts	932,490.46	875,733.52	473,886.95	1,371,641.77	10,184.66	28,715.88	228,337.32	74,435.44
Disbursements:								
Public Works	-	-	-	-	-	-	-	-
Public Safety	782,802.13	-	-	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-	-	-
Community and Economic Development:								
Capital	-	-	-	-	-	-	-	-
Total disbursements	782,802.13	-	-	-	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	149,688.33	875,733.52	473,886.95	1,371,641.77	10,184.66	28,715.88	228,337.32	74,435.44
Other financing sources (uses):								
Operating transfers in	131,453.00	-	-	65,833.91	-	-	-	-
Operating transfers (out)	(540,000.00)	(915,128.48)	(483,000.00)	(1,138,155.00)	(10,184.66)	(54,587.50)	(212,335.00)	(52,586.00)
	(408,547.00)	(915,128.48)	(483,000.00)	(1,072,321.09)	(10,184.66)	(54,587.50)	(212,335.00)	(52,586.00)
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(258,858.67)	(39,394.96)	(9,113.05)	299,320.68	-	(25,871.62)	16,002.32	21,849.44
Cash balance beginning of year	490,536.53	39,394.96	25,014.88	642,981.33	-	(57,799.70)	(108,441.08)	26,879.02
Cash balance end of year	\$ 231,677.86	\$ -	\$ 15,901.83	\$ 942,302.01	\$ -	\$ (83,671.32)	\$ (92,438.76)	\$ 48,728.46

Schedule 1

Special Revenue									Permanent		
Ace Builders UR	IHA Senior Housing TIF	Emergency Special Revenue	Recreation Center Trust	Police Forfeiture	Crime Prevention	Library Trust	Cemetery Perpetual Care	Rec Center Trust	Total		
\$ 14,466.96	\$ 7,233.06	\$ 96,341.64	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807,762.16		
-	-	-	-	-	-	-	-	-	1,362,692.84		
-	0.40	-	409.22	111.20	271.71	525.86	3,215.01	291.66	15,347.26		
-	-	-	-	-	1,150.00	6,875.25	-	-	940,515.71		
-	-	-	7,122.71	200.00	6,630.00	-	19,050.00	-	33,002.71		
-	-	-	3,523.41	1,776.62	3,900.00	8,050.85	-	20.00	17,270.88		
14,466.96	7,233.46	96,341.64	11,055.34	2,087.82	11,951.71	15,451.96	22,265.01	311.66	4,176,591.56		
-	-	-	-	498.36	3,696.50	-	-	-	4,194.86		
-	-	-	-	-	-	-	-	-	782,802.13		
-	-	-	9,849.90	-	-	12,530.25	-	-	22,380.15		
-	7,233.46	-	-	-	-	-	-	-	7,233.46		
-	-	-	-	-	-	-	-	-	-		
-	7,233.46	-	9,849.90	498.36	3,696.50	12,530.25	-	-	816,610.60		
14,466.96	-	96,341.64	1,205.44	1,589.46	8,255.21	2,921.71	22,265.01	311.66	3,359,980.96		
-	-	-	291.66	-	-	-	-	-	197,578.57		
(14,466.96)	-	(96,341.64)	-	-	-	-	(3,215.01)	(291.66)	(3,520,291.91)		
(14,466.96)	-	(96,341.64)	291.66	-	-	-	(3,215.01)	(291.66)	(3,322,713.34)		
-	-	-	1,497.10	1,589.46	8,255.21	2,921.71	19,050.00	20.00	37,267.62		
-	-	-	43,676.73	10,872.94	26,007.41	52,675.14	337,182.48	31,514.25	1,560,494.89		
\$ -	\$ -	\$ -	\$ 45,173.83	\$ 12,462.40	\$ 34,262.62	\$ 55,596.85	\$ 356,232.48	\$ 31,534.25	\$ 1,597,762.51		

See accompanying independent auditor's report.

**City of Carroll
Schedule of Indebtedness
Year ended June 30, 2011**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
G. O. Bonds 2007A Parks Building & Lift Station	8/22/2007 **	3.85-4.00%	\$ 600,000.00
G. O. Bonds 2008A Aquatic/UR Area Public Improvements	6/18/2008 ***	2.35-4.20%	3,660,000.00
Revenue Bonds			
Sewer Revenue Bonds	6/9/2004	3%	11,000,000.00
General Obligation/Capital Loan Notes:			
G. O. Bonds 2010B LOST Refunding	1/14/2010 @	1-1.6%	2,175,000.00
Capital Loan Note Series 2002A Fire Department & Golf Course	3/26/2002 *	4.10%	895,000.00
Capital Loan Note Series 2003A Bass Street Storm Sewer	5/26/2003	3.24%	1,500,000.00
Capital Loan Note Series 2005 \$2M GO Cap Loan	8/23/2005	3.05-3.90%	2,000,000.00
Capital Loan Note Series 2006 GO Cap Loan	9/11/2006	4-4.45%	515,000.00
Capital Loan Note Series 2010A GO Cap Loan	1/14/2010	1-1.9%	<u>345,000.00</u>
Grand Total			<u><u>\$ 22,690,000.00</u></u>

@ refunded bond with issuance of 2010B bonds

* \$700,000 Golf Course Improvements, \$195,000 Fire Equipment Van

** \$250,000 Parks Maintenance Building, \$350,000 Kittyhawk Avenue Lift Station

*** \$2,960,000 Aquatic Center, \$250,000 Oak Park Subdivision Plat No. 2UR, \$450,000 Westfield UR Area

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 185,000.00	\$ -	\$ 90,000.00	\$ 95,000.00	\$ 7,355.00	-
3,235,000.00	-	315,000.00	2,920,000.00	113,227.50	-
8,824,000.00	-	472,000.00	8,352,000.00	264,720.00	
2,175,000.00	-	525,000.00	1,650,000.00	24,405.00	
205,000.00	-	100,000.00	105,000.00	8,405.00	-
545,000.00	-	175,000.00	370,000.00	17,658.00	-
1,285,000.00	-	195,000.00	1,090,000.00	47,035.00	-
455,000.00	-	35,000.00	420,000.00	19,137.50	-
270,000.00	-	90,000.00	180,000.00	4,275.00	-
<u>\$ 17,179,000.00</u>	<u>\$ -</u>	<u>\$ 1,997,000.00</u>	<u>\$ 15,182,000.00</u>	<u>\$ 506,218.00</u>	<u>\$ -</u>

**City of Carroll
Bond and Note Maturities
June 30, 2011**

General Obligation Bonds

General Obligation Bonds						
2008A GO Bonds			2007A GO Bond		Series 2010B	
Oakpark/Westfield Aquatic Center			Parks Maintenance Garage Kittyhawk Lift Station		Local Option Sales Tax Refunding Bond	
Issued May 28, 2008			Issued July 31, 2007		Issued Jan. 14, 2010	
Year Ending June 30,	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	2.90%	295,000	4.00%	95,000	1.05%	540,000
2013	3.00%	355,000		-	1.30%	550,000
2014	3.15%	300,000		-	1.60%	560,000
2015	3.30%	155,000		-		-
2016	3.40%	100,000		-		-
2017	3.50%	125,000		-		-
2018	3.60%	130,000		-		-
2019	3.70%	135,000		-		-
2020	3.80%	140,000		-		-
2021	3.90%	145,000		-		-
2022	4.00%	155,000		-		-
2023	4.00%	160,000		-		-
2024	4.05%	170,000		-		-
2025	4.10%	175,000		-		-
2026	4.15%	185,000		-		-
2027	4.20%	195,000		-		-
		<u>\$ 2,920,000</u>		<u>\$ 95,000</u>		<u>\$ 1,650,000</u>

General Obligation Notes

General Obligation Notes						
Capital Loan Note 2005			Capital Loan 2002A		Series 2003A	
\$2M GO 2005			Fire Department & Golf Course		Bass Street #77 Storm Sewer Bond	
August 23, 2005			March 26, 2003		June 9, 2003	
Year Ended June 30,	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	3.50%	205,000	4.10%	105,000	3.24%	180,000
2013	3.60%	210,000			3.24%	190,000
2014	3.70%	215,000				
2015	3.80%	225,000				
2016	3.90%	235,000				
2017						
2018						
2019						
2020						
2021						
2022						
		<u>\$ 1,090,000</u>		<u>\$ 105,000</u>		<u>\$ 370,000</u>

Schedule 3

Revenue Bonds		Total General Obligation & Sewer Revenue Bonds
Series 2003		
WWTP Improvements Revenue Bond Issued June 9, 2004		
Interest Rate	Amount	
3.00%	487,000	1,417,000
3.00%	501,000	1,406,000
3.00%	517,000	1,377,000
3.00%	532,000	687,000
3.00%	549,000	649,000
3.00%	566,000	691,000
3.00%	584,000	714,000
3.00%	601,000	736,000
3.00%	619,000	759,000
3.00%	639,000	784,000
3.00%	659,000	814,000
3.00%	678,000	838,000
3.00%	699,000	869,000
3.00%	721,000	896,000
		185,000
		195,000
	<u>\$ 8,352,000</u>	<u>\$ 13,017,000</u>

Capital Loan 2010A Fire Department January 14, 2010		Series 2006A Ashwood Business Park Infrastructure Notes September 11, 2006		Total General Obligation Notes
Interest Rate	Amount	Interest Rate	Amount	
1.60%	90,000	4.00%	35,000	615,000
1.90%	90,000	4.00%	35,000	525,000
		4.05%	40,000	255,000
		4.10%	40,000	265,000
		4.15%	40,000	275,000
		4.25%	40,000	40,000
		4.30%	45,000	45,000
		4.35%	45,000	45,000
		4.40%	50,000	50,000
		4.45%	50,000	50,000
				0
	<u>\$ 180,000</u>		<u>\$ 420,000</u>	<u>\$ 2,165,000</u>

City of Carroll
Schedule of Cash Receipts, Disbursements
and Change in Cash Balances
Capital Projects Funds
Year Ended June 30, 2011

	Street Rehabilitation	Fire Hall/ PD Remodel	Corridor of Commerce
Receipts:			
Use of money and property:			
Interest on investments	\$ 335.01	\$ 58.67	\$ 261.05
Intergovernmental:			
FAA Grant	-	-	-
I-Jobs	53,664.37	-	-
Grants	-	-	-
ARRA Grant	687,649.76	-	-
	<u>741,314.13</u>	<u>-</u>	<u>-</u>
Miscellaneous:			
Donations	-	-	-
Refunds, settlements & donations	-	-	24,140.06
	<u>-</u>	<u>-</u>	<u>24,140.06</u>
Total receipts	<u>741,649.14</u>	<u>58.67</u>	<u>24,401.11</u>
Disbursements:			
Capital outlay	1,609,033.18	-	1,023,132.52
	<u>1,609,033.18</u>	<u>-</u>	<u>1,023,132.52</u>
Total disbursements	<u>1,609,033.18</u>	<u>-</u>	<u>1,023,132.52</u>
Deficiency of receipts under disbursements	<u>(867,384.04)</u>	<u>58.67</u>	<u>(998,731.41)</u>
Other financing sources (uses):			
General Obligation debt proceeds	-	-	-
Transfers In (Out):			
To General Fund & others	-	(7,942.95)	-
From General Fund & others	700,000.00	-	1,088,443.00
	<u>700,000.00</u>	<u>(7,942.95)</u>	<u>1,088,443.00</u>
Excess (deficiency) of receipts and other financing sources (uses) over disbursements	(167,384.04)	(7,884.28)	89,711.59
Balance beginning of year	<u>173,990.51</u>	<u>7,884.28</u>	<u>25.86</u>
Balance end of year	<u>\$ 6,606.47</u>	<u>\$ -</u>	<u>\$ 89,737.45</u>

Schedule 4

Airport	Parks & Recreation	Outdoor Aquatic Center	Veterans Memorial Park	Total
\$ 10.57	\$ 353.37	\$ -	\$ 122.94	\$ 1,141.61
1,312,552.00	-	-	-	1,312,552.00
-	-	-	-	53,664.37
-	-	3,000.00	-	3,000.00
-	-	-	-	687,649.76
1,312,552.00	-	3,000.00	-	2,056,866.13
-	10,000.00	67,408.91	-	77,408.91
-	-	-	-	24,140.06
-	10,000.00	67,408.91	-	101,548.97
1,312,562.57	10,353.37	70,408.91	122.94	2,159,556.71
1,421,753.60	43,781.34	1,575.00	3,142.30	4,102,417.94
1,421,753.60	43,781.34	1,575.00	3,142.30	4,102,417.94
1,421,753.60	43,781.34	1,575.00	3,142.30	4,102,417.94
(109,191.03)	(33,427.97)	68,833.91	(3,019.36)	(1,942,861.23)
-	-	-	-	-
-	-	(65,833.91)	-	(73,776.86)
70,000.00	230,000.00	-	-	2,088,443.00
70,000.00	230,000.00	(65,833.91)	-	2,014,666.14
(39,191.03)	196,572.03	3,000.00	(3,019.36)	71,804.91
(63,045.59)	47,625.08	(3,000.00)	14,831.02	178,311.16
\$ (102,236.62)	\$ 244,197.11	\$ -	\$ 11,811.66	\$ 250,116.07

Schedule 5

City of Carroll
Schedule of Receipts by Source and
Disbursements by Function
All Governmental Fund Types
For the Last Three Years

	For the Years ended June 30,		
	2011	2010	2009
Receipts:			
Property tax	\$ 5,555,482.90	\$ 5,293,004.55	\$ 4,789,641.54
Other Taxes	1,575,604.70	1,397,893.05	1,439,495.37
Non-property tax	-	63,071.68	61,044.26
Use of money and property	61,269.11	78,553.97	187,414.01
Licenses and permits	81,580.33	66,677.87	80,867.06
Intergovernmental	3,443,056.73	1,402,405.54	1,418,284.53
Charges for Services	1,653,576.74	1,640,511.31	1,555,741.65
Special assessments	-	1,278.00	5,129.00
Fines and fees	51,736.28	40,988.72	37,124.00
Miscellaneous	276,884.47	219,133.42	477,564.98
Total receipts	<u>12,699,191.26</u>	<u>10,203,518.11</u>	<u>10,052,306.40</u>
Disbursements:			
Public Safety Program	1,782,233.01	1,713,451.86	1,627,380.03
Public Works Program	1,875,419.28	2,051,546.16	1,925,174.12
Health and Social Services Program	102,765.00	97,795.00	97,620.00
Culture and Recreation Program	2,542,526.01	2,208,268.55	2,130,037.88
Community and Economic Development Program	158,550.41	66,023.04	67,313.35
General Government	1,161,529.37	1,026,174.09	822,634.94
Debt Service	2,527,978.00	2,875,253.88	3,957,572.22
Capital Projects	4,102,417.94	2,622,199.26	4,622,153.21
Total disbursements	<u>14,253,419.02</u>	<u>12,660,711.84</u>	<u>15,249,885.75</u>
Excess (deficiency) of receipts over (under) disbursements	(1,554,227.76)	(2,457,193.73)	(5,197,579.35)
Other financing sources, net	1,646,622.00	1,657,858.00	1,119,777.50
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	92,394.24	(799,335.73)	(4,077,801.85)
Balance beginning of year	4,048,551.33	4,847,887.06	8,925,688.91
Balance end of year	<u>\$ 4,140,945.57</u>	<u>\$ 4,048,551.33</u>	<u>\$ 4,847,887.06</u>

City of Carroll
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Disburse- ments
Direct:			
Federal Aviation Administration			
FAA Airport Improvement Program	20.106	3-19-0011-10-2010	\$ 1,348,822.07
Pavement & Light- Parallel Taxiway			
FAA Airport Improvement Program	20.106	3-19-0011-09-2009	1,843.84
Parallel Taxiway Design			<u>1,350,665.91</u>
Federal Emergency Management			
Disaster Assistance Program	97.088	001-4-4030-2-4011	<u>40,596.84</u>
Indirect:			
Iowa Department of			
Economic Development			
Federal Housing Assistance Grants			
HOME Investment Partnership	14.228	10-HM-115-65	25,600.84
Iowa Department of Transportation			
ARRA - State Fiscal Stabilization Fund -			
Government Services, Recovery Act	84.397	03-09 ESP-034	827,885.90
SAFETEA Grant	20.205	3-10-STPU-022	20,985.46
			<u>874,472.20</u>
Total Federal Expenditures			<u><u>\$ 2,265,734.95</u></u>

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

City of Carroll

Feldmann & Company C.P.A.s, P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carroll, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 7, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carroll'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 City of Carroll's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Carroll's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-F-10 and IV-K-10.

The City of Carroll's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Carroll's responses and, accordingly, we express no opinion on them.

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 Carroll and other parties to whom the City of Carroll 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 Carroll 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.



Feldmann & Company CPAs, P.C.
October 7, 2011

Feldmann & Company C.P.A.s, P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on 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:

Compliance

We have audited City of Carroll, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended June 30, 2011. City of Carroll's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of City's management. Our responsibility is to express an opinion on City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City's compliance with those requirements.

In our opinion, the City of Carroll complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of City of Carroll is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered City's internal control over compliance with

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Carroll and other parties to whom City of Carroll 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.

Feldmann & Company CPAs, P.C.

Feldmann & Company CPAs, P.C.
October 7, 2011

City of Carroll
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

I. Summary of Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were not disclosed by the audit of the financial statements.
- (c) The audit did not disclose non-compliance, which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (e) The major programs were CFDA 20.106 FAA Airport Improvement Program and CFDA 84.397 ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act.
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) The City of Carroll did not qualify as a low-risk auditee.

II. Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

No matters were noted.

III. Findings Related to Federal Awards:

No matters were noted.

City of Carroll
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

IV. Other Findings Related to Statutory Reporting:

IV-A-11 Official Depositories - A resolution naming official depositories has been approved by the Council. The maximum deposit amounts stated in the resolution was not exceeded during the year ended June 30, 2011.

IV-B-11 Certified Budget - Disbursements during the year ended June 30, 2011, did not exceed the amounts budgeted per Chapter 384.20 of the Code of Iowa which states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

IV-C-11 Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-11 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business</u>	<u>Transaction</u>	<u>Amount</u>
Jim Pedelty, Mayor, Advisor of Carrollton	Room Rental	\$196.82
Adam Schweers, Council, Owner of Computer Concepts	Computer Maintenance, Library.	\$5,369.65

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Mayor does not appear to represent conflicts of interest since the total transaction was less than \$1,500 during the fiscal year. The transactions to Computer Concepts does not appear to represent a conflict of interest as the bid contract to provide service for the Library computers were competitively bid.

IV-F-11 Excess Balance – The balances in the Police Forfeiture and Crime Prevention Special Revenue Funds at June 30, 2011, were in excess of the disbursements for those funds for the year. The Library Trust, Recreation Center Trust, Capital Project-Veterans Memorial Park, and the Storm Water funds also had excess fund balances.

Recommendation – The City should consider the necessity of maintaining this

substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response –The Special Revenue Funds, Library Trust, Capital Project-Veterans Memorial Park, and the Storm Water funds have planned future programs that will reduce fund balances.

Conclusion – Response accepted.

IV-G-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-H-11 Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-I-11 Deposits and Investments - We noted no instances of noncompliance with the investment provisions of Chapter 12B & 12C of the Code of Iowa and the City's investment policy.

IV-J-11 Revenue Bonds and Notes – We noted no instances of non-compliance with the terms of the City's revenue bond/note provisions.

IV-K-11 Financial Condition – We observed funds with deficit ending balances at the June 30, 2011, fiscal year end: Ashwood and Westfield Special Revenue funds, Airport Capital Project Funds.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficits in the Ashwood and Westfield Urban Renewal Funds arose due to tax increment financing collections to be received the next fiscal year. The deficit in the Airport Capital Project Fund arose due to construction costs incurred. The Airport Capital Project Fund will return to sound financial positions with anticipated grants that were not received by the end of the fiscal year.

Conclusion – Response accepted.

