

**CITY OF CARROLL**

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

**JUNE 30, 2013**

*Feldmann & Company C.P.As, 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>
Adams Schweers	Mayor	December 31, 2013
Michael Kots	Council Member - Ward 1	December 31, 2013
Tom Tait	Council Member - Ward 2	December 31, 2015
Mike Eifler	Council Member - Ward 3	December 31, 2013
Carolyn Siemann	Council Member - Ward 4	December 31, 2015
Jeff Scharfenkamp	Council Member - At-Large	December 31, 2013
	Mayor Pro Tempore	
Eric Jensen	Council Member - At-Large	December 31, 2015
Gerald Clausen	City Manager	June 30, 2013(1)
Laura Schaefer	City Clerk, Treas. & Finance Dir.	June 30, 2013 (2)
Debra K. Goetzinger	Deputy City Clerk	June 30, 2013 (2)
Randall M. Krauel	Public Works Director	June 30, 2013 (2)
Jack Wardell	Parks and Recreation Director	June 30, 2013 (2)
David S. Bruner	City Attorney	Indefinite (1)
Jeffrey Cayler	Chief of Police	Indefinite (1)
Greg Schreck	Building/Fire Safety Official	June 30, 2013 (2)
Kelly Fischbach	Library Director	June 30, 2013 (2)
Mike Meyering	Library Trustee	December 31, 2018
Tom Louis	Library Trustee/President	December 31, 2018
Ian W. Granstra	Library Trustee	December 31, 2013
M. Carol Shields	Library Trustee	December 31, 2018
Lois Neu	Library Trustee	December 31, 2013
John Brockelsby (Co. Representative)	Library Trustee	December 31, 2016
Patricia Hartley	Library Trustee	December 31, 2016
Marilyn Setzler	Library Trustee/Secretary	December 31, 2016
Robyn Greteman	Library Trustee/Vice President	December 31, 2014
Greg Siemann	Airport Commissioner	December 31, 2014
Norman Hutcheson	Airport Commissioner/Chairman	December 31, 2016
Gene Vincent	Airport Commissioner	December 31, 2017
John Knorr	Airport Commissioner resigned	August 1, 2013
Kevin Wittrock	Airport Commissioner appointed	December 31, 2018
	January 14, 2013	
Robert Raue	Airport Commissioner resigned	May 13, 2013

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

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

# *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:

### Report on the Financial Statements

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, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the City's preparation and fair presentation of

the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

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. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carroll's financial statements. 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, 2012, (which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 7, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements

themselves, and other additional procedures in accordance with US general accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 18 and pages 38 through 40 are presented for additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or any assurance on it.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2013, 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 in considering the City of Carroll's internal control over financial reporting and compliance.



Feldmann & Company CPAs, P.C.

October 23, 2013

## **Management's Discussion and Analysis**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2013. 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 8.34% or approximately \$1,075,000 from fiscal year 2012 (FY 12). The increase is mainly due to the issuance of debt in the amount of \$1,235,000 to be used to refund debt that was issued in 2005 and for the purchase of a fire tanker truck and the replacement of the recreation center roof.
- Disbursements increased \$1,915,000, or about 16.13%, from FY 12. Debt payments and capital project expenditures were the primary reason for this increase. Capital loan notes issued in 2005 were refunded. Many capital projects that were in the planning stages in FY 12 were mostly constructed in FY 13.
- The City's governmental funds' cash balance remains strong on June 30, 2013 with an increase of \$184,000 from June 30, 2012. The business type activities funds' cash balance increased \$1,237,000 from June 30, 2012.

### **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 Position reports information which helps answer this question.

The Statement of Activities and Net Position 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 Position 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.

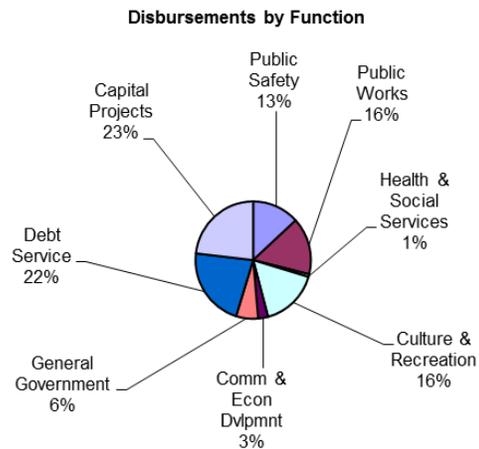
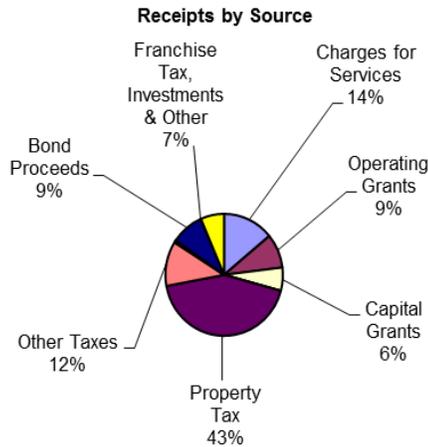
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

### **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 \$5.165 million to \$5.349 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)

	2013	2012
Receipts & Transfers:		
Program Receipts:		
Charges for Services & Sales	\$ 1,952	\$ 1,980
Operating Grants, Contributions and Restricted Interest	1,268	1,239
Capital Grants, Contributions and Restricted interest	862	1,008
General Receipts		
Property Tax	5,987	5,692
Other Taxes	1,657	1,505
Franchise Tax & Fees	70	68
Unrestricted Investment Earnings	19	26
Bond Proceeds	1,235	-
Other General Receipts	13	9
Transfers, net	906	1,367
Total Receipts and Transfers	<u>13,969</u>	<u>12,894</u>
Disbursements:		
Public Safety	1,813	1,820
Public Works	2,167	1,930
Health & Social Services	104	103
Culture & Recreation	2,239	2,417
Community & Economic Development	383	423
General Government	852	885
Debt Service	3,035	2,512
Capital Projects	3,192	1,780
Total Disbursements	<u>13,785</u>	<u>11,870</u>
Increase (Decrease) in Cash Balance	184	1,024
Cash Balance Beginning of Year	<u>5,165</u>	<u>4,141</u>
Cash Balance End of Year	<u>\$ 5,349</u>	<u>\$ 5,165</u>



The City's total receipts for governmental activities increased by 8.34% percent (\$1,075,000). The total cost of all programs and services increased by approximately \$1,915,000, or about 16.13%. The increase in receipts is mainly due to the issuance of debt in the amount of \$1,235,000 to be used to refund debt that was issued in 2005 and for the purchase of a fire tanker truck and the replacement of the recreation center roof. The increase in disbursements is mainly due to debt payments and capital project expenditures. Capital loan notes issued in 2005 were refunded. Many capital projects that were in the planning stages in FY 12 were mostly constructed in FY 13.

The City held the property tax rate steady in 2013, which generated approximately \$295,000 more property tax revenues due to increased taxable values and an increase in the residential rollback. Based on increases in the total taxable valuation, residential rollback and a constant tax rate, property tax receipts (including TIF collections) are budgeted to decrease \$126,000 next year (FY 14) due mainly to less TIF collections expected.

Overall the City's governmental program receipts decreased by approximately \$145,000, or 3.4%. Charges for services and sales and capital grants, contributions and restricted interest decreased slightly while operating grants, contributions and restricted interest increased slightly.

The cost of all governmental activities this year was approximately \$13.785 million compared to approximately \$11.870 million last year. However, as shown in the Statement of Activities and Net Position on pages 20-21, the amount taxpayers ultimately financed for these activities was only \$9.703 million because some of the cost was paid by those directly benefited from the programs (\$1.951 million) or by other governments and organizations which funded certain programs with grants, contributions and restricted interest (\$2.131 million).

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## Business-Type Activities

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

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	2013	2012
Receipts & Transfers:		
Program Receipts:		
Charges for Services & Sales		
Water	\$ 1,575	\$ 1,539
Sewer	1,748	1,626
Storm Water	256	254
General Receipts		
Unrestricted Investment Earnings	60	65
Other General Receipts	-	1
Transfers, net	(906)	(1,367)
Total Receipts and Transfers	2,733	2,118
Disbursements:		
Water	733	925
Sewer	637	607
Storm Water	126	189
Total Disbursements	1,496	1,721
Increase/(Decrease) in Cash Balance	1,237	397
Cash Balance Beginning of Year	6,017	5,620
Cash Balance End of Year	\$ 7,254	\$ 6,017

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The cash balance at June 30, 2013 was \$7,254,000, an increase of approximately \$1,237,000. Revenues increased \$615,000 from FY 12 mainly due to an increase in charges for services and less transfers out to help fund other capital projects and debt service payments. A 6.5% sewer rate increase was implemented for FY13.

Total disbursements decreased by \$225,000 or 13.1% from FY 12 due mainly to less capital project expenditures that were funded by water and storm water receipts.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City completed the year, its governmental funds reported a combined fund balance of \$5,349,162, an increase of approximately \$184,000 from last year's total of \$5,164,937. 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 40.63% 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 additional funding is intended to be used for various projects and one-time expenditures.
- The Debt Service cash balance increased by \$11,800 to \$56,700. The reason for the increase is due mainly to unspent bond proceeds that will be used to pay scheduled principal and interest payments in the fiscal year.
- The Capital Projects Fund balance on June 30, 2013 was \$194,900, a decrease of \$509,900 from FY12. The decrease is mainly due to the completion of capital projects that were in the planning stages in FY12.
- The cash balance of the Water Utility Fund increased by \$778,000 to \$2,962,000. The accumulation of cash reserves is for future capital expenditures and increased operating costs. (Note: FY 13 Water Utility Fund information in Exhibit C only includes the water operations. The Water Depreciation, Water Utility Capital Improvement, and Water Meter Deposit Funds are presented as non-major fund activity.)
- The cash balance of the Sewer Utility Fund increased by approximately \$278,400 to \$658,700. The accumulation of cash reserves is for increased operating costs and future capital expenditures. (Note: FY 13 Sewer Utility Fund information in Exhibit C only includes the sewer operations. The Sewer Depreciation and Sewer Capital Improvement Funds are presented as non-major fund activity.)
- The cash balance of the Storm Water Utility Fund increased \$90,800 to \$815,400. 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 increased operating costs and 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 November 26, 2012, and resulted in an increase in disbursements (including transfers) of approximately \$1.4 million and an increase in revenues and other financing sources of approximately \$291,500. The amendment was primarily to account for a housing down payment assistance program and various capital projects including the airport parallel taxiway, street rehabilitation projects and Streetscape Phase 6. The second amendment was approved on May 28, 2013, and resulted in an increase in disbursements (including transfers) of approximately \$1.3 million and an increase in revenues and other financing sources of approximately \$1.2 million. The amendment was primarily to account for a new debt issuance which included a current refunding and funds for the purchase of a fire tanker truck and replacement of the recreation center roof.

After the budget amendments, total actual disbursements were \$3.9 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 \$11,779,000 in bonds and other long-term debt compared to approximately \$13,150,000 last year as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	2013	2012
General Obligation Bonds	\$ 2,830	\$ 3,735
General Obligation Capital Loan Notes	1,585	1,550
Sewer Revenue Bonds	7,364	7,865
Total	<u>\$11,779</u>	<u>\$13,150</u>

Debt decreased as a result of paying scheduled annual principal payments.

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 \$4,415,000 is well below the City's \$32.3 million legal debt limit. There is a pay down schedule on this debt with full retirement within 8 years for all the issuances except for one \$2.270 million general obligation bond (14 years-2027), and the sewer revenue bonds, which have a retirement within 12 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 2014 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 3.9% (January 2013 Labor Force Summary for Carroll County obtained from the Iowa Workforce Development) which is down slightly from the January 2012 unemployment rate of 4.2%. This is compared to the State's unemployment rate of 5.0% (January 2013) and the national rate of 7.9% (January 2013).

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 \$1.44 million in FY 13 with estimates from the State of Iowa Department of Revenue to be slightly lower at approximately \$1.37 million in the next fiscal year (FY 2014).

The Fiscal Year 2014 (FY 14) budget includes a slightly lower property tax levy at \$12.90456 per \$1,000 taxable value (FY 13 levy \$12.92522). With taxable valuations increasing 5.89% from FY 13, property tax receipts (excluding TIF collections) to finance programs we currently offer are expected to increase approximately \$62,900.

Budgeted revenues are expected to be approximately \$454,000 less than final FY13 budget mainly due to intergovernmental receipts projected to be \$687,000 less in FY14. Budgeted disbursements are expected to increase approximately 8.20%. Water and storm water capital projects represent the largest increases.

If budget estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$1,309,000 by the close of FY 14.

## **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. 5<sup>th</sup> Street, Carroll, IA 51401.

**City of Carroll**

**Basic Financial Statements**

**City of Carroll**  
**Statement of Activities and**  
**Net Position - Cash Basis**  
**Year ended June 30, 2013**

<b>Functions/Programs</b>	<b>Expenses</b>
<b>Governmental Activities</b>	
Public Safety Program	\$ 1,813,369.47
Public Works Program	2,167,353.30
Health and Social Services Program	103,900.00
Culture and Recreation Program	2,238,842.89
Community & Economic Development Program	383,043.37
General Government	851,595.01
Debt Service	3,035,244.62
Capital Projects	3,191,507.88
Total governmental activities	13,784,856.54
<b>Business Type Activities</b>	
Water	824,435.10
Sewer	639,756.87
Storm Water	32,446.94
Total business type activities	1,496,638.91
Total	\$ 15,281,495.45
General Receipts:	
Property Taxes levied for:	
General purpose	
Debt Service	
Hotel Motel Tax	
Local Option Sales Tax	
Franchise taxes and fees	
Unrestricted investment earnings	
Bond proceeds	
Miscellaneous	
Transfers	
Total general receipts and transfers	
Changes in Cash Balance	
Cash Balance beginning of year	
Cash Balance end of year	
<b>Cash Basis Net Position</b>	
Restricted:	
Nonexpendable - Cemetery Perpetual Care	
- Rec Center Trust	
Expendable - Debt Service	
- Urban Renewal Purposes	
Streets - expendable	
Other purposes - expendable	
Unrestricted	
<b>Total Cash Basis Net Position</b>	

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
\$ 134,425.77	\$ 210,172.24	\$ -	\$ (1,468,771.46)	\$ -	\$ (1,468,771.46)
578,814.35	987,735.10	-	(600,803.85)	-	(600,803.85)
48,895.00	-	-	(55,005.00)	-	(55,005.00)
1,142,541.31	59,953.03	125,500.00	(910,848.55)	-	(910,848.55)
1,150.00	-	256,977.00	(124,916.37)	-	(124,916.37)
44,441.58	10,480.00	-	(796,673.43)	-	(796,673.43)
-	-	-	(3,035,244.62)	-	(3,035,244.62)
1,200.00	-	479,730.14	(2,710,577.74)	-	(2,710,577.74)
<u>1,951,468.01</u>	<u>1,268,340.37</u>	<u>862,207.14</u>	<u>(9,702,841.02)</u>	<u>-</u>	<u>(9,702,841.02)</u>
1,575,478.04	-	-	-	751,042.94	751,042.94
1,747,809.82	-	-	-	1,108,052.95	1,108,052.95
255,496.32	-	-	-	223,049.38	223,049.38
<u>3,578,784.18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,082,145.27</u>	<u>2,082,145.27</u>
<u>\$ 5,530,252.19</u>	<u>\$ 1,268,340.37</u>	<u>\$ 862,207.14</u>	<u>(9,702,841.02)</u>	<u>2,082,145.27</u>	<u>(7,620,695.75)</u>
			5,428,683.37	-	5,428,683.37
			558,174.60	-	558,174.60
			217,367.01	-	217,367.01
			1,439,664.48	-	1,439,664.48
			69,803.83	-	69,803.83
			19,443.45	60,534.59	79,978.04
			1,235,000.00	-	1,235,000.00
			13,125.80	50.00	13,175.80
			905,803.28	(905,803.28)	-
			<u>9,887,065.82</u>	<u>(845,218.69)</u>	<u>9,041,847.13</u>
			184,224.80	1,236,926.58	1,421,151.38
			5,164,936.72	6,017,203.50	11,182,140.22
			<u>\$ 5,349,161.52</u>	<u>\$ 7,254,130.08</u>	<u>\$ 12,603,291.60</u>
			\$ 389,240.29	\$ -	\$ 389,240.29
			31,655.90	-	31,655.90
			56,737.93	-	56,737.93
			199,680.04	-	199,680.04
			477,813.51	-	477,813.51
			1,227,846.21	-	1,227,846.21
			2,966,187.64	\$ 7,254,130.08	10,220,317.72
			<u>\$ 5,349,161.52</u>	<u>\$ 7,254,130.08</u>	<u>\$ 12,603,291.60</u>

**City of Carroll**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Governmental Funds**  
**Year ended June 30, 2013**

	<b>General</b>
<b>Receipts:</b>	
Property tax	\$ 3,460,785.02
Other Taxes	217,367.01
Use of money and property	46,625.33
Licenses and permits	65,097.37
Intergovernmental	505,811.08
Charges for service	1,649,612.97
Fines and fees	66,969.17
Miscellaneous	145,211.20
<b>Total receipts</b>	<b>6,157,479.15</b>
<b>Disbursements:</b>	
Public Safety	1,804,433.98
Public Works	1,093,918.77
Health and Social Services	103,900.00
Culture and Recreation	2,219,215.61
Community and Economic Development	378,363.97
General Government	851,595.01
Debt Service	-
Capital Projects	-
<b>Total disbursements</b>	<b>6,451,427.34</b>
Excess (deficiency) of receipts over (under) disbursements	<b>(293,948.19)</b>
Other financing sources (uses):	
Bond/note proceeds	-
Operating transfers in	994,512.79
Operating transfers(out)	(227,693.33)
Total other financing sources (uses)	<b>766,819.46</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<b>472,871.27</b>
<b>Cash balance beginning of year</b>	<b>2,433,298.55</b>
<b>Cash balance end of year</b>	<b>\$ 2,906,169.82</b>
<b>Cash Basis Fund Balances</b>	
Unspendable- Permanent fund-Cemetary Perpetual Care	\$ -
-Rec Center Trust	-
Restricted for Debt Service	-
Streets	-
Urban Renewal purposes	-
Other purposes	185,175.37
Committed	651,062.00
Assigned	-
Unassigned	2,069,932.45
Total cash basis fund balances	<b>\$ 2,906,169.82</b>

Exhibit B

Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
\$ 558,174.60	\$ -	\$ 2,037,702.18	\$ 6,056,661.80
-	-	1,439,664.48	1,657,031.49
-	361.35	7,786.77	54,773.45
-	-	-	65,097.37
-	422,125.40	974,758.31	1,902,694.79
-	-	21,108.40	1,670,721.37
-	-	-	66,969.17
-	184,304.74	24,812.68	354,328.62
<u>558,174.60</u>	<u>606,791.49</u>	<u>4,505,832.82</u>	<u>11,828,278.06</u>
-	-	8,935.49	1,813,369.47
-	-	1,073,434.53	2,167,353.30
-	-	-	103,900.00
-	-	19,627.28	2,238,842.89
-	-	4,679.40	383,043.37
-	-	-	851,595.01
3,035,244.62	-	-	3,035,244.62
-	3,191,507.88	-	3,191,507.88
<u>3,035,244.62</u>	<u>3,191,507.88</u>	<u>1,106,676.70</u>	<u>13,784,856.54</u>
<u>(2,477,070.02)</u>	<u>(2,584,716.39)</u>	<u>3,399,156.12</u>	<u>(1,956,578.48)</u>
691,362.50	543,637.50	-	1,235,000.00
1,797,532.50	1,582,214.11	183,542.74	4,557,802.14
-	(51,059.74)	(3,373,245.79)	(3,651,998.86)
<u>2,488,895.00</u>	<u>2,074,791.87</u>	<u>(3,189,703.05)</u>	<u>2,140,803.28</u>
11,824.98	(509,924.52)	209,453.07	184,224.80
44,912.95	704,868.00	1,981,857.22	5,164,936.72
<u>\$ 56,737.93</u>	<u>\$ 194,943.48</u>	<u>\$ 2,191,310.29</u>	<u>\$ 5,349,161.52</u>
\$ -	\$ -	\$ 389,240.29	\$ 389,240.29
-	-	31,655.90	31,655.90
56,737.93	-	-	56,737.93
-	-	477,813.51	477,813.51
-	-	199,680.04	199,680.04
-	129,754.00	912,916.84	1,227,846.21
-	65,189.48	-	716,251.48
-	-	180,003.71	180,003.71
-	-	-	2,069,932.45
<u>\$ 56,737.93</u>	<u>\$ 194,943.48</u>	<u>\$ 2,191,310.29</u>	<u>\$ 5,349,161.52</u>

**City of Carroll**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Proprietary Funds**  
**Year ended June 30, 2013**

	<b>Major Fund</b>
	<b>Water</b>
<b>Receipts:</b>	
Charges for service	\$ 1,564,960.93
Use of money and property	43,382.64
Miscellaneous	172.11
<b>Total Receipts</b>	<b>1,608,515.68</b>
<b>Disbursements:</b>	
Business-type activities:	
Operations	733,313.10
Capital Outlay	-
<b>Total Disbursements</b>	<b>733,313.10</b>
Excess (deficiency) of receipts over (under) disbursements	<b>875,202.58</b>
Other financing sources (uses):	
Operating transfers in	590,888.22
Operating transfers (out)	(688,272.00)
Total other financing sources (uses)	<b>(97,383.78)</b>
Excess of receipts and other financing sources over disbursements and other financing uses	777,818.80
<b>Cash balance beginning of year</b>	<b>2,183,980.14</b>
<b>Cash balance end of year</b>	<b>\$ 2,961,798.94</b>
<b>Cash Basis Fund Balances</b>	
Unrestricted	\$ 2,961,798.94
<b>Total cash basis fund balances</b>	<b>\$ 2,961,798.94</b>

**Exhibit C**

<b>Enterprise Funds</b>		
<b>Major Fund</b>	<b>Other Non-Major</b>	<b>Total</b>
<b>Sewer</b>	<b>Proprietary Funds</b>	
\$ 1,747,809.82	\$ 265,891.32	\$ 3,578,662.07
3,713.05	13,438.90	60,534.59
-	-	172.11
1,751,522.87	279,330.22	3,639,368.77
637,266.87	40,289.44	1,410,869.41
-	85,769.50	85,769.50
637,266.87	126,058.94	1,496,638.91
1,114,256.00	153,271.28	2,142,729.86
-	153,750.00	744,638.22
(826,855.50)	(135,314.00)	(1,650,441.50)
(826,855.50)	18,436.00	(905,803.28)
287,400.50	171,707.28	1,236,926.58
371,330.24	3,461,893.12	6,017,203.50
\$ 658,730.74	\$ 3,633,600.40	\$ 7,254,130.08
\$ 658,730.74	\$ 3,633,600.40	\$ 7,254,130.08
\$ 658,730.74	\$ 3,633,600.40	\$ 7,254,130.08

## City of Carroll

### Notes to Financial Statements

June 30, 2013

#### 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, City/County Communications Committee, Board of Adjustment, Carroll County Regional Planning Commission, Planning and Zoning Commission and Carroll Area Access Television (CAAT) Board, and Carroll Foundation.

##### B. Basis of Presentation

Government-Wide and Fund Financial Statements - The Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net position presents the City's nonfiduciary net assets. Net position is reported in following categories/components:

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

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Statement of Activities and Net Position 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 Other Information. During the year ended June 30, 2013, 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, 2013, 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		General Obligation Capital Loan Notes		Total	
	Revenue Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,377,000	\$ 310,918	\$ 615,000	\$ 20,045	\$ 1,992,000	\$ 330,963
2015	687,000	281,478	465,000	16,523	1,152,000	298,001
2016	649,000	260,403	275,000	12,970	924,000	273,373
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>\$ 10,194,000</u>	<u>\$ 2,199,269</u>	<u>\$ 1,585,000</u>	<u>\$ 80,907</u>	<u>\$ 11,779,000</u>	<u>\$ 2,280,176</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 sewer enterprise fund.

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, 2009, 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 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. The final principal and interest payment was made June 1, 2013.

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 Streetscape Phase 3 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. This issuance was refunded June 28, 2013.

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, 2009, 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. This note's final payment was made June 1, 2013.

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.

On June 27, 2013, the City issued \$1,235,000 in General Obligation Capital Loan Notes, Series 2013, with an interest rate range of .400% to .550%. The net proceeds were used to pay the costs of acquiring and equipping a Fire Department tanker truck and reconstruction repair and improvements to the roof of the Carroll Recreation Center. Additionally a portion of the proceeds will be used to current refund \$675,000 of the City's outstanding GO Capital Loan Notes Series 2005, maturing June 1, 2014 through 2016. The City's designated Paying Agent, Bankers Trust Company, N.A. Des Moines, Iowa, will pay principal and interest on the Notes, interest payable initially on, December 1, 2014, and thereafter interest and principal on each June 1 and December 1, through 2016.

#### **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 5.78% of their annual salary and the City is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$210,487, \$200,546, and \$174,961, 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 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, is 26.12% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2013, 2012, and 2011 were \$182,280, \$170,374, and \$151,853, respectively, which met the required minimum contribution for each year.

#### **Note 5 - Other Postemployment Benefits (OPEB)**

Plan Description - The City partially self-funds a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 57 active and one (1) 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. The City self-funds the co-payments, deductibles and out-of-pocket maximums to a lower amount. 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 by union contracts for union employees and by Council for non-union employees. The City currently finances the retiree benefit plan on a pay-as-you-go basis. Currently, all employees are required to pay, on a pre-tax basis, 10% of the cost of the premium equal to the cost of electing continuing coverage under COBRA. For FY 2013, the employee contributed \$535.92 for single coverage and \$1,258.68 for family coverage. For the year ended June 30, 2013, the City contributed \$515,550.34 and plan members eligible for benefits contributed \$65,656.60 to the plan.

If an employee certifies that he/she is otherwise covered by health insurance and opts to

waive coverage through the City, the City shall pay the employee an amount equal to thirty-percent (30%) of the single health insurance coverage.

**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, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefits</u>	<u>Liability June 30, 2013</u>
Vacation	\$ 141,552.93
Compensatory Time	16,746.17
Sick Leave	<u>8,671.81</u>
	<u>\$ 166,970.91</u>

\* Computed based on rates of pay as of June 30, 2013.

**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.

On November 26, 2012, the City issued a total of \$4,820,000 of Hospital Revenue Refunding 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, 2013, \$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, 2013, was 47% of the total.

## Note 9 - Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013, is as follows:

<b>Transfer to</b>	<b>Transfer from</b>	<b>Amount</b>		
General	Special Revenue	Emergency Spec Rev	\$ 105,467.74	
		Employee Benefits	796,485.00	
		Ace Builders	20,502.05	
	Enterprise	Water	36,065.00	
		Sewer	35,243.00	
Debt Service	Comm. Center	Tort/WC Ins	750.00	
		Special Revenue	Local Option Sales Tax	867,484.00
	Enterprise	Oak Park Subdiv. Plat 2	54,924.00	
		UR Westfield	118,512.00	
		Sewer	756,612.50	
Capital Projects	Special Revenue	LOST to C.P.-Streets	500,000.00	
		LOST to CP Equipment	96,499.78	
		LOST to Park & Recreation	90,000.00	
		Hotel/Motel to CP Park & Rec	70,000.00	
	General Fund	CP – Airport	27,688.06	
		CP – Streets	76,500.00	
		Parks & Recreation	52,755.27	
	Water	CP Streets	15,000.00	
		CP Corridor	518,457.00	
	Enterprise	Storm Water	CP - Streets	135,314.00
		Enterprise	Water to Water Depr.	50,000.00
			UR Downtown to Water	590,888.22
			Water to Water Cap. Imp.	68,750.00
			Sewer to Sewer Depr.	35,000.00
	Special Rev.	Special Revenue	Employee Benefit to Road Use Tax	132,483.00
Capital Projects			CP Aquatic to LOST	51,059.74
			<u>\$5,302,440.36</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 509 member cities, counties and Chapter 28E entities. 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, 2013, is zero as the debt has been paid in its entirety. The City's annual contributions to IMWCA for the year ended June 30, 2013, were \$84,833.00.

## **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 679 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 at a level determined by the Board not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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, 2013, were \$206,664.08.

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. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 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, 2013, 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty 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 airport liability and blanket bond in the amount of \$2,887 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 \$9,380.65 during the year ended June 30, 2013.

#### **Note 12 – Deficit Balances**

The Capital Projects Fund Airport Improvements had a deficit balance of \$31,289.87 at June 30, 2013. The deficit balance was a result of project costs incurred for which reimbursement from the FAA had not been received by yearend. The deficit will be eliminated upon receipt of those reimbursements.

**City of Carroll**

**Other 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, 2013**

	<b>Governmental Fund Type Actual</b>	<b>Proprietary Fund Actual</b>	<b>Less Funds not Required to be Budgeted and Adjustments</b>
<b>Receipts:</b>			
Property tax	\$ 6,056,661.80	\$ -	\$ -
Other taxes	1,657,031.49	-	-
Use of money and property	54,773.45	60,534.59	-
Licenses and permits	65,097.37	-	-
Intergovernmental	1,902,694.79	-	-
Charges for service	1,670,721.37	3,578,662.07	-
Fines and fees	66,969.17	-	-
Miscellaneous	354,328.62	172.11	-
<b>Total receipts</b>	<u>11,828,278.06</u>	<u>3,639,368.77</u>	<u>-</u>
<b>Disbursements:</b>			
Public Safety	1,813,369.47	-	-
Public Works	2,167,353.30	-	-
Health and Social Services	103,900.00	-	-
Culture and Recreation	2,238,842.89	-	-
Community & Economic Development	383,043.37	-	-
General Government	851,595.01	-	-
Debt Service	3,035,244.62	-	756,612.50
Capital Projects	3,191,507.88	-	-
<b>Total Government Activities</b>	<u>13,784,856.54</u>	<u>-</u>	<u>756,612.50</u>
Business Type Activities	-	1,496,638.91	-
<b>Total disbursements</b>	<u>13,784,856.54</u>	<u>1,496,638.91</u>	<u>756,612.50</u>
Excess (deficiency) of receipts over disbursements	(1,956,578.48)	2,142,729.86	(756,612.50)
Other financing sources (uses), net	2,140,803.28	(905,803.28)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	184,224.80	1,236,926.58	(756,612.50)
<b>Balance beginning of year</b>	<u>5,164,936.72</u>	<u>6,017,203.50</u>	<u>-</u>
<b>Balance end of year</b>	<u>\$ 5,349,161.52</u>	<u>\$ 7,254,130.08</u>	<u>\$ (756,612.50)</u>

Net	Budgeted Amounts		Final to Actual	Net as % of Budget
	Original	Final	Variance Favorable (Unfavorable)	
\$ 6,056,661.80	\$ 5,896,043.00	\$ 5,896,043.00	\$ 160,618.80	103%
1,657,031.49	1,710,225.00	1,710,225.00	(53,193.51)	97%
115,308.04	112,100.00	112,100.00	3,208.04	103%
65,097.37	65,750.00	65,750.00	(652.63)	99%
1,902,694.79	1,647,419.00	1,921,128.00	(18,433.21)	99%
5,249,383.44	4,866,135.00	4,871,135.00	378,248.44	108%
66,969.17	-	-	66,969.17	-
354,500.73	284,326.00	285,326.00	69,174.73	124%
<u>15,467,646.83</u>	<u>14,581,998.00</u>	<u>14,861,707.00</u>	<u>605,939.83</u>	104%
1,813,369.47	2,016,171.00	2,016,171.00	202,801.53	90%
2,167,353.30	2,332,041.00	2,334,041.00	166,687.70	93%
103,900.00	103,945.00	104,945.00	1,045.00	99%
2,238,842.89	2,657,827.00	2,688,717.00	449,874.11	83%
383,043.37	329,219.00	482,796.00	99,752.63	79%
851,595.01	980,930.00	1,041,330.00	189,734.99	82%
2,278,632.12	1,608,637.00	2,298,637.00	20,004.88	99%
3,191,507.88	2,549,180.00	3,788,420.00	596,912.12	84%
<u>13,028,244.04</u>	<u>12,577,950.00</u>	<u>14,755,057.00</u>	<u>1,726,812.96</u>	88%
<u>1,496,638.91</u>	<u>3,615,385.00</u>	<u>3,678,885.00</u>	<u>2,182,246.09</u>	41%
<u>14,524,882.95</u>	<u>16,193,335.00</u>	<u>18,433,942.00</u>	<u>3,909,059.05</u>	79%
942,763.88	(1,611,337.00)	(3,572,235.00)	4,514,998.88	
<u>1,235,000.00</u>	<u>703,280.00</u>	<u>1,393,280.00</u>	<u>158,280.00</u>	
2,177,763.88	(908,057.00)	(2,178,955.00)	4,356,718.88	
<u>11,182,140.22</u>	<u>9,524,971.00</u>	<u>11,182,140.00</u>		
<u>\$ 13,359,904.10</u>	<u>\$ 8,616,914.00</u>	<u>\$ 9,003,185.00</u>		

See notes to financial statements.

## **City of Carroll**

### **Notes to Required Supplementary Information – Budgetary Reporting**

**June 30, 2013**

The budgetary comparison is presented 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 the 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 activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Fund 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 \$2,240,607 and budgeted revenues by \$1,460,437. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted in the general government and business-type activities functions.

**City of Carroll**

**Supplementary Information**

**City of Carroll**  
**Schedule of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2013**

	<b>Special Revenue Road Use Tax</b>	<b>Employee Benefits</b>	<b>Urban Renewal</b>	<b>LOST</b>	<b>Ashwood UR</b>	<b>Westfield UR</b>	<b>Oak Park Sub- division Plat 2 UR</b>	<b>Special Ace Builders UR</b>
<b>Receipts:</b>								
Property tax	\$ -	\$ 1,039,558.55	\$ 556,793.94	\$ -	\$ 43,656.68	\$ 194,843.97	\$ 72,280.18	\$ 20,421.72
Other taxes	-	-	-	1,439,664.48	-	-	-	-
Use of money and property:								
Interest on deposits	-	-	453.08	4,058.84	-	362.33	543.15	80.33
Intergovernmental:								
State funding	967,522.78	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Miscellaneous	15,514.48	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>983,037.26</b>	<b>1,039,558.55</b>	<b>557,247.02</b>	<b>1,443,723.32</b>	<b>43,656.68</b>	<b>195,206.30</b>	<b>72,823.33</b>	<b>20,502.05</b>
<b>Disbursements:</b>								
Public Safety	-	-	-	-	-	-	-	-
Public Works	1,073,434.53	-	-	-	-	-	-	-
Culture & Recreation	-	-	-	7,700.00	-	-	-	-
Community and Economic Development:								
Capital	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,073,434.53</b>	<b>-</b>	<b>-</b>	<b>7,700.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency ) of receipts over (under) disbursements	(90,397.27)	1,039,558.55	557,247.02	1,436,023.32	43,656.68	195,206.30	72,823.33	20,502.05
Other financing sources (uses):								
Operating transfers in	132,483.00	-	-	51,059.74	-	-	-	-
Operating transfers (out)	-	(928,968.00)	(590,888.22)	(1,553,983.78)	-	(118,512.00)	(54,924.00)	(20,502.05)
	132,483.00	(928,968.00)	(590,888.22)	(1,502,924.04)	-	(118,512.00)	(54,924.00)	(20,502.05)
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	42,085.73	110,590.55	(33,641.20)	(66,900.72)	43,656.68	76,694.30	17,899.33	-
<b>Cash balance beginning of year</b>	<b>435,727.78</b>	<b>44,855.17</b>	<b>40,223.57</b>	<b>824,371.84</b>	<b>(40,416.32)</b>	<b>(22,170.15)</b>	<b>117,433.83</b>	<b>-</b>
<b>Cash balance end of year</b>	<b>\$ 477,813.51</b>	<b>\$ 155,445.72</b>	<b>\$ 6,582.37</b>	<b>\$ 757,471.12</b>	<b>\$ 3,240.36</b>	<b>\$ 54,524.15</b>	<b>\$ 135,333.16</b>	<b>\$ -</b>

Schedule 1

Revenue			Permanent					
IHA Senior Housing TIF	Emergency Special Revenue	Recreation Center Trust	Police Forfeiture	Crime Prevention	Library Trust	Cemetery Perpetual Care	Rec Center Trust	Total
\$ 4,679.40	\$ 105,467.74	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,037,702.18
-	-	-	-	-	-	-	-	1,439,664.48
-	-	193.46	48.81	197.50	247.20	1,480.42	121.65	7,786.77
-	-	-	-	1,000.00	6,235.53	-	-	974,758.31
-	-	3,975.90	-	6,970.00	-	10,162.50	-	21,108.40
-	-	1,100.00	9.30	1,500.00	6,688.90	-	-	24,812.68
4,679.40	105,467.74	5,269.36	58.11	9,667.50	13,171.63	11,642.92	121.65	4,505,832.82
-	-	-	657.05	8,278.44	-	-	-	8,935.49
-	-	-	-	-	-	-	-	1,073,434.53
-	-	2,724.87	-	-	9,202.41	-	-	19,627.28
4,679.40	-	-	-	-	-	-	-	4,679.40
-	-	-	-	-	-	-	-	-
4,679.40	-	2,724.87	657.05	8,278.44	9,202.41	-	-	1,106,676.70
-	105,467.74	2,544.49	(598.94)	1,389.06	3,969.22	11,642.92	121.65	3,399,156.12
-	-	-	-	-	-	-	-	183,542.74
-	(105,467.74)	-	-	-	-	-	-	(3,373,245.79)
-	(105,467.74)	-	-	-	-	-	-	(3,189,703.05)
-	-	2,544.49	(598.94)	1,389.06	3,969.22	11,642.92	121.65	209,453.07
-	-	50,018.65	13,420.78	50,009.31	59,251.14	377,597.37	31,534.25	1,981,857.22
\$ -	\$ -	\$ 52,563.14	\$ 12,821.84	\$ 51,398.37	\$ 63,220.36	\$ 389,240.29	\$ 31,655.90	\$ 2,191,310.29

See notes to financial statements.

**City of Carroll**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Non-Major Proprietary Funds**  
**Year ended June 30, 2013**

	<u>Water Depreciation</u>	<u>Water Capital Improv.</u>
<b>Receipts:</b>		
Charges for service	\$ -	\$ -
Use of money and property	3,003.01	3,679.83
FEMA Grant Reimb	-	-
Miscellaneous	-	-
<b>Total Receipts</b>	<u>3,003.01</u>	<u>3,679.83</u>
<b>Disbursements:</b>		
Business-type activities:		
Operations	-	-
Capital Outlay	3,255.00	79,717.00
<b>Total Disbursements</b>	<u>3,255.00</u>	<u>79,717.00</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(251.99)</u>	<u>(76,037.17)</u>
Other financing sources (uses):		
Operating transfers in	50,000.00	68,750.00
Operating transfers (out)	-	-
Total other financing sources (uses)	<u>50,000.00</u>	<u>68,750.00</u>
Excess of receipts and other financing sources over disbursements and other financing uses	49,748.01	(7,287.17)
<b>Cash balance beginning of year</b>	<u>756,770.00</u>	<u>974,906.53</u>
<b>Cash balance end of year</b>	<u>\$ 806,518.01</u>	<u>\$ 967,619.36</u>
<b>Cash Basis Fund Balances</b>		
Unrestricted	\$ 806,518.01	\$ 967,619.36
<b>Total cash basis fund balances</b>	<u>\$ 806,518.01</u>	<u>\$ 967,619.36</u>

**Schedule 2**

<b>Non-Major Enterprise Funds</b>				
<u>Water Meter Deposit</u>	<u>Sewer Depreciation</u>	<u>Sewer Capital Improv.</u>	<u>Storm Water</u>	<u>Total</u>
\$ 10,395.00	\$ -	\$ -	\$ 255,496.32	\$ 265,891.32
-	1,413.68	2,321.18	3,021.20	13,438.90
-	-	-	-	-
-	-	-	-	-
<u>10,395.00</u>	<u>1,413.68</u>	<u>2,321.18</u>	<u>258,517.52</u>	<u>279,330.22</u>
8,150.00	-	-	32,139.44	40,289.44
-	2,490.00	-	307.50	85,769.50
<u>8,150.00</u>	<u>2,490.00</u>	<u>-</u>	<u>32,446.94</u>	<u>126,058.94</u>
2,245.00	(1,076.32)	2,321.18	226,070.58	153,271.28
-	35,000.00	-	-	153,750.00
-	-	-	(135,314.00)	(135,314.00)
<u>-</u>	<u>35,000.00</u>	<u>-</u>	<u>(135,314.00)</u>	<u>18,436.00</u>
2,245.00	33,923.68	2,321.18	90,756.58	171,707.28
34,175.90	369,725.20	601,660.25	724,655.24	3,461,893.12
<u>\$ 36,420.90</u>	<u>\$ 403,648.88</u>	<u>\$ 603,981.43</u>	<u>\$ 815,411.82</u>	<u>\$ 3,633,600.40</u>
<u>\$ 36,420.90</u>	<u>\$ 403,648.88</u>	<u>\$ 603,981.43</u>	<u>\$ 815,411.82</u>	<u>\$ 3,633,600.40</u>
<u>\$ 36,420.90</u>	<u>\$ 403,648.88</u>	<u>\$ 603,981.43</u>	<u>\$ 815,411.82</u>	<u>\$ 3,633,600.40</u>

**City of Carroll  
Schedule of Indebtedness  
Year ended June 30, 2013**

<b>Obligation</b>	<b>Date of Issue</b>	<b>Interest Rates</b>	<b>Amount Originally Issued</b>
<b>General Obligation Bonds:</b>			
G. O. Bonds 2008A Aquatic/UR Area Public Improvements	6/18/2008 **	2.35-4.20%	3,660,000.00
G. O. Bonds 2010B LOST Refunding	1/14/2010	1-1.6%	2,175,000.00
<b>Revenue Bonds</b>			
Sewer Revenue Bonds	6/9/2004	3%	11,000,000.00
<b>General Obligation/Capital Loan Notes:</b>			
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%	345,000.00
Capital Loan Note Series 2013 GO Cap Loan	6/27/2013	.4-.55%	<u>1,235,000.00</u>
Grand Total			<u><u>\$ 22,430,000.00</u></u>

@ refunded bond with issuance of 2013 Capital Loan Note

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

**Schedule 3**

<b>Balance Beginning of Year</b>	<b>Issued During Year</b>	<b>Redeemed During Year</b>	<b>Balance End of Year</b>	<b>Interest Paid</b>	<b>Interest Due and Unpaid</b>
2,625,000.00	-	355,000.00	2,270,000.00	96,167.50	-
1,110,000.00	-	550,000.00	560,000.00	12,535.00	
7,865,000.00	-	501,000.00	7,364,000.00	235,950.00	
190,000.00	-	190,000.00	-	6,139.36	-
885,000.00	-	885,000.00	-	35,155.26	-
385,000.00	-	35,000.00	350,000.00	16,337.50	-
90,000.00	-	90,000.00	-	1,710.00	-
-	1,235,000.00	-	1,235,000.00	-	-
<u>\$ 13,150,000.00</u>	<u>\$ 1,235,000.00</u>	<u>\$ 2,606,000.00</u>	<u>\$ 11,779,000.00</u>	<u>\$ 403,994.62</u>	<u>\$ -</u>

See notes to financial statements.

**City of Carroll**  
**Bond and Note Maturities**  
**June 30, 2013**

<b>General Obligation Bonds</b>				
<b>2008A GO Bonds</b>			<b>Series 2010B</b>	
<b>Oakpark/Westfield Aquatic Center</b>			<b>Local Option Sales Tax Refunding Bond</b>	
<b>Issued June 18, 2008</b>			<b>Issued Jan. 14, 2010</b>	
<b>Year Ending June 30,</b>	<b>Interest Rate</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Amount</b>
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		-
		<b>\$ 2,270,000</b>		<b>\$ 560,000</b>

**General Obligation Notes**

<b>General Obligation Notes</b>				
<b>Capital Loan Note 2005 \$2M GO 2005</b>			<b>Series 2006A</b>	
<b>August 23, 2005</b>			<b>Ashwood Business Park Infrastructure Notes</b>	
<b>September 11, 2006</b>				
<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Amount</b>
2014	3.70%	REFUNDED	4.05%	40,000
2015	3.80%	REFUNDED	4.10%	40,000
2016	3.90%	REFUNDED	4.15%	40,000
2017			4.25%	40,000
2018			4.30%	45,000
2019			4.35%	45,000
2020			4.40%	50,000
2021			4.45%	50,000
2022				
		<b>\$ -</b>		<b>\$ 350,000</b>

**Schedule 4**

<b>Revenue Bonds</b>		<b>Total General Obligation &amp; Sewer Revenue Bonds</b>
<b>Series 2003</b>		
<b>WWTP Improvements Revenue Bond Issued June 9, 2004</b>		
<b>Interest Rate</b>	<b>Amount</b>	
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>\$ 7,364,000</u>	<u>\$ 10,194,000</u>

<b>Capital Loan Series 2013 Refund 2005 Rec Roof &amp; Fire Truck June 27, 2013</b>		<b>Total General Obligation Notes</b>
<b>Interest Rate</b>	<b>Amount</b>	
0.40%	575,000	615,000
0.45%	425,000	465,000
0.55%	235,000	275,000
		40,000
		45,000
		45,000
		50,000
		50,000
		0
	<u>\$ 1,235,000</u>	<u>\$ 1,585,000</u>

**City of Carroll**  
**Schedule of Cash Receipts, Disbursements**  
**and Change in Cash Balances**  
**Capital Projects Funds**  
**Year Ended June 30, 2013**

	<u>Street Rehabilitation</u>	<u>Equipment Purchase</u>	<u>Corridor of Commerce</u>
<b>Receipts:</b>			
Use of money and property:			
Interest on investments	\$ 0.28	\$ -	\$ 195.81
Intergovernmental:			
FAA Grant	-	-	-
SAFETEA/TSIP	35,957.41	-	-
Grants	-	-	-
ARRA Grant	62,982.99	-	-
	<u>98,940.40</u>	<u>-</u>	<u>-</u>
Miscellaneous:			
Donations	-	-	-
Refunds, settlements & donations	-	1,200.00	6,545.00
	<u>-</u>	<u>1,200.00</u>	<u>6,545.00</u>
<b>Total receipts</b>	<u>98,940.68</u>	<u>1,200.00</u>	<u>6,740.81</u>
<b>Disbursements:</b>			
Capital outlay	696,607.38	333,503.78	1,052,877.10
	<u>696,607.38</u>	<u>333,503.78</u>	<u>1,052,877.10</u>
<b>Total disbursements</b>	<u>696,607.38</u>	<u>333,503.78</u>	<u>1,052,877.10</u>
Deficiency of receipts under disbursements	<u>(597,666.70)</u>	<u>(332,303.78)</u>	<u>(1,046,136.29)</u>
Other financing sources (uses):			
General Obligation debt proceeds	-	240,823.50	-
Transfers In (Out):			
To General Fund & others	-	-	-
From General Fund & others	726,814.00	96,499.78	518,457.00
	<u>726,814.00</u>	<u>337,323.28</u>	<u>518,457.00</u>
Excess (deficiency) of receipts and other financing sources (uses) over disbursements	129,147.30	5,019.50	(527,679.29)
<b>Balance beginning of year</b>	<u>(126,998.69)</u>	<u>-</u>	<u>534,800.67</u>
<b>Balance end of year</b>	<u>\$ 2,148.61</u>	<u>\$ 5,019.50</u>	<u>\$ 7,121.38</u>

Schedule 5

Airport	Parks & Recreation	Outdoor Aquatic Center	Veterans Memorial Park	Total
\$ -	\$ 123.61	\$ -	\$ 41.65	\$ 361.35
323,185.00	-	-	-	323,185.00
-	-	-	-	35,957.41
-	-	-	-	-
-	-	-	-	62,982.99
323,185.00	-	-	-	422,125.40
-	125,500.00	51,059.74	-	176,559.74
-	-	-	-	7,745.00
-	125,500.00	51,059.74	-	184,304.74
323,185.00	125,623.61	51,059.74	41.65	606,791.49
325,433.87	780,688.35	-	2,397.40	3,191,507.88
325,433.87	780,688.35	-	2,397.40	3,191,507.88
325,433.87	780,688.35	-	2,397.40	3,191,507.88
(2,248.87)	(655,064.74)	51,059.74	(2,355.75)	(2,584,716.39)
-	302,814.00	-	-	543,637.50
-	-	(51,059.74)	-	(51,059.74)
27,688.06	212,755.27	-	-	1,582,214.11
27,688.06	515,569.27	(51,059.74)	-	2,074,791.87
25,439.19	(139,495.47)	-	(2,355.75)	(509,924.52)
(56,729.06)	341,915.54	-	11,879.54	704,868.00
\$ (31,289.87)	\$ 202,420.07	\$ -	\$ 9,523.79	\$ 194,943.48

Schedule 6

**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,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Receipts:</b>			
Property tax	\$ 6,056,661.80	\$ 5,760,635.65	\$ 5,555,482.90
Other Taxes	1,657,031.49	1,504,595.60	1,575,604.70
Use of money and property	54,773.45	57,126.89	61,269.11
Licenses and permits	65,097.37	63,764.45	81,580.33
Intergovernmental	1,902,694.79	2,113,613.13	3,443,056.73
Charges for Services	1,670,721.37	1,706,685.62	1,653,576.74
Fines and fees	66,969.17	54,534.19	51,736.28
Miscellaneous	354,328.62	266,697.99	276,884.47
<b>Total receipts</b>	<u>11,828,278.06</u>	<u>11,527,653.52</u>	<u>12,699,191.26</u>
<b>Disbursements:</b>			
Public Safety Program	1,813,369.47	1,820,199.02	1,782,233.01
Public Works Program	2,167,353.30	1,930,014.05	1,875,419.28
Health and Social Services Program	103,900.00	103,196.00	102,765.00
Culture and Recreation Program	2,238,842.89	2,417,219.85	2,542,526.01
Community and Economic Development Program	383,043.37	423,006.75	158,550.41
General Government	851,595.01	885,071.90	1,161,529.37
Debt Service	3,035,244.62	2,511,493.00	2,527,978.00
Capital Projects	3,191,507.88	1,780,110.35	4,102,417.94
<b>Total disbursements</b>	<u>13,784,856.54</u>	<u>11,870,310.92</u>	<u>14,253,419.02</u>
Excess (deficiency ) of receipts over (under) disbursements	(1,956,578.48)	(342,657.40)	(1,554,227.76)
Other financing sources, net	2,140,803.28	1,366,648.55	1,646,622.00
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	184,224.80	1,023,991.15	92,394.24
<b>Balance beginning of year</b>	<u>5,164,936.72</u>	<u>4,140,945.57</u>	<u>4,048,551.33</u>
<b>Balance end of year</b>	<u>\$ 5,349,161.52</u>	<u>\$ 5,164,936.72</u>	<u>\$ 4,140,945.57</u>

**City of Carroll**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Disburse- ments
<b>Direct:</b>			
Federal Aviation Administration			
FAA Airport Improvement Program Pavement & Light- Parallel Taxiway	20.106	3-19-0011-10-2010	\$ 74,887.69
FAA Airport Improvement Program Snow Removal Equipment	20.106	3-19-0011-11-2012	186,786.23
FAA Airport Improvement Program Parallel Taxiway Design	20.106	3-19-0011-09-2009	24,310.00
			<u>285,983.91</u>
<b>Indirect:</b>			
Iowa Department of Economic Development CDBG Smart Planning Grant	14.228	08-DRPG-204	6,266.00
Federal Housing Assistance Grants HOME Investment Partnership	14.228	10-HM-115-65	256,977.00
Iowa Department of Transportation ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	03-09 ESP-034	26,515.72
			<u>289,758.72</u>
			<u>575,742.63</u>
Total Federal Expenditures			<u>\$ 575,742.63</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 CPAs, 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 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, the 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, 2013, and the notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 23, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carroll's internal control over financial reporting to determine auditing procedures appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an 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 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, significant deficiencies or material weaknesses may exist that have not 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 a 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.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## 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, 2013, 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.

## City of Carroll's Responses to Findings

The City of Carroll's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. City of Carroll's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion of the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Feldmann & Company CPAs, P.C.  
October 23, 2013

*Feldmann & Company CPAs, P.C.*

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

Independent Auditor's Report on Compliance  
for Each Major Federal Program, on Internal Control over Compliance and on  
the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

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, 2013. City of Carroll's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination on City's compliance.

Opinion on Each Major Federal Program

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, 2013.

#### Report on Internal Control Over Compliance

The management of City of Carroll is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program 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, significant deficiencies or material weaknesses may exist that were not 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. City's responses were not subjected to auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Feldmann & Company CPAs, P.C.  
October 23, 2013

**City of Carroll**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

**I. Summary of Independent Auditor's Results**

- (a) Unmodified opinions were 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 unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (e) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA 20.106 FAA Airport Improvement Program.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) The City of Carroll did 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, 2013**

**IV. Other Findings Related to Statutory Reporting:**

IV-A-13 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, 2013.

IV-B-13 Certified Budget - Disbursements during the year ended June 30, 2013, 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-13 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-13 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-13 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>
Adam Schweers, Mayor, Owner of Computer Concepts	Computer Maintenance, Library.	\$9,350.65

In accordance with Chapter 362.5(10) of the Code of Iowa the transactions with Computer Concepts do not appear to represent a conflict of interest as the contract to provide service for the Library computers was competitively bid.

IV-F-13 Excess Balance – The balances in the Police Forfeiture and Crime Prevention Special Revenue Funds at June 30, 2013, were in excess of the disbursements for those funds for the year. The Oakpark Subdivision Plat No 2, Capital Project-Veterans Memorial Park, and the Water, Sewer and 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, Capital Project- Veterans Memorial

Park, and the Water, Sewer and Storm Water funds have planned future programs that will reduce fund balances.

Conclusion – Response accepted.

IV-G-13 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-13 Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-I-13 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-13 Revenue Bonds and Notes – We noted no instances of non-compliance with the terms of the City's revenue bond/note provisions.

IV-K-13 Financial Condition – We observed a fund with a deficit ending balance at the June 30, 2013, fiscal year end: Airport Capital Project Fund.

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

Response The deficit in the Airport Capital Fund arose due to construction costs incurred. The Airport Capital Fund will return to sound financial position with anticipated grants that were not received by the end of the fiscal year.

Conclusion – Response accepted.

IV-L-13 Tax Increment Financing (TIF) Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. We noted no corrections needed to TIF certification to comply with Chapter 403 of the Code of Iowa.

IV-M-13 Urban Renewal Annual Report The urban renewal annual report was approved and certified to the Department of Management on or before December 1.

