



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE October 19, 2004

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Auditor of State David A. Vaudt today released an audit report on the City of West Branch, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$1,859,411 for the year ended June 30, 2004. The receipts included \$601,097 in property tax, \$181,065 from tax increment financing collections, \$587,795 from charges for service, \$326,719 from operating grants, contributions and restricted interest, \$118,743 from local option sales tax, \$7,105 from unrestricted investment earnings, \$10,000 from bank loan proceeds and \$26,887 from other general receipts.

Disbursements for the year totaled \$1,865,813, and included \$438,184 for public safety, \$342,145 for public works and \$291,393 for debt service. Also, disbursements for business type activities totaled \$393,663.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF WEST BRANCH
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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City of West Branch

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Mike Quinlan	Mayor	Jan 2006
Sandra Hatfield	Mayor Pro tem	Jan 2006
Bill Krall (Elected)	Council Member	Jan 2004
Howard Moss (Appointed)	Council Member	Jan 2004
Tom Hildreth	Council Member	Resigned
Don Kessler (Appointed)	Council Member	Resigned
Mark Worrell	Council Member	Jan 2004
Bob Caldwell	Council Member	Jan 2006
Ty Doermann	Administrator/Clerk	Indefinite
Marilyn Lacina	Treasurer	Indefinite
Bruce Goddard	Attorney	Indefinite
(After January 2004)		
Mike Quinlan	Mayor	Jan 2006
Sandra Hatfield	Mayor Pro tem	Jan 2006
Bob Caldwell	Council Member	Jan 2006
Mark Worrell	Council Member	Jan 2008
Howard Moss	Council Member	Jan 2008
Bill Krall	Council Member	Jan 2008
Ty Doermann	Administrator/Clerk	Indefinite
Marilyn Lacina	Treasurer	Indefinite
Bruce Goddard	Attorney	Indefinite

City of West Branch



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Branch's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

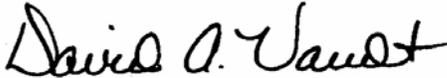
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 11, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2004 on our consideration of the City of West Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Branch's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 11, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Branch 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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 23.2%, or approximately \$428,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$49,000, intergovernmental receipts decreased approximately \$463,000 and bank loan proceeds decreased \$53,611.
- Disbursements decreased 26.9%, or approximately \$543,000, in fiscal 2004 from fiscal 2003. Community and economic development, general government and capital projects disbursements decreased approximately \$451,000, \$111,000 and \$184,000, respectively.
- The City's total cash basis net assets decreased less than one percent, or approximately \$6,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$45,000 and the assets of the business type activities increased by approximately \$39,000.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements 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 statement by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

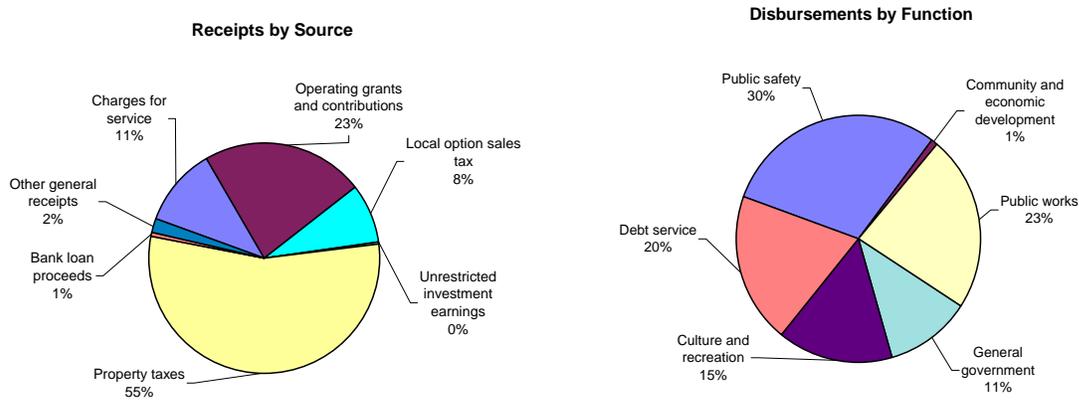
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

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 decreased \$45,100 from a year ago, from \$931,375 to \$886,275. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service	\$ 157,367
Operating grants, contributions and restricted interest	326,719
General receipts:	
Property tax and tax increment financing	782,162
Local option sales tax	118,743
Unrestricted investment earnings	5,172
Bank loan proceeds	10,000
Other general receipts	26,887
Total receipts	<u>1,427,050</u>
Disbursements:	
Public safety	438,184
Public works	342,145
Culture and recreation	224,135
Community and economic development	10,800
General government	165,493
Debt service	291,393
Total disbursements	<u>1,472,150</u>
Decrease in cash basis net assets	(45,100)
Cash basis net assets beginning of year	<u>931,375</u>
Cash basis net assets end of year	<u>\$ 886,275</u>



The City's total receipts for governmental activities decreased by 23.2%, or approximately \$428,000. The total cost of all programs and services decreased by approximately \$543,000, or 26.9%. The significant decrease in receipts and disbursements was primarily due to completion of the EDSA/CDBG federal grant in FY03.

The City increased property tax rates for 2004 by an average of .34 %. This increase, coupled with the increase in property valuations, raised the City's property tax receipts by approximately \$49,000 in 2004. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$30,000 next year.

The cost of all governmental activities this year was \$1,472,150 compared to \$2,014,707 last year. However, as shown in the Statement of Activities and Net Assets on pages 16 and 17, the amount taxpayers ultimately financed for these activities was only \$988,064 because some of the cost was paid by those who directly benefited from the programs (\$157,367) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$326,719). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2004 from approximately \$1.91 million to approximately \$1.43 million, principally due to no EDSA/CDBG grant (\$450,000) in FY04 and \$50,000 less in bank notes. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$782,162 in levied taxes, \$118,743 in local option sales tax and \$42,059 in other receipts, such as interest, bank loan proceeds and miscellaneous receipts.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 250,279
Sewer	180,149
General receipts:	
Unrestricted interest on investments	1,933
Total receipts	<u>432,361</u>
Disbursements:	
Water	237,667
Sewer	155,996
Total disbursements	<u>393,663</u>
Increase in cash basis net assets	38,698
Cash basis net assets beginning of year	<u>352,764</u>
Cash basis net assets end of year	<u><u>\$ 391,462</u></u>

Total business type activities receipts for the fiscal year were \$432,361 compared to \$486,457 last year. The decrease was due primarily to no loan proceeds/activity in FY04. The cash balance increased by approximately \$39,000 from the prior year because increased housing and business growth increased sales. Total disbursements for the fiscal year decreased by 17.5% to a total of \$393,663. The decrease was due to no business type activity projects in FY04 as in FY03.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Branch completed the year, its governmental funds reported a combined fund balance of \$886,275, a decrease of \$45,100 from last year's total of \$931,375. The following are reasons for significant changes in cash balances, if any, of the major funds from the prior year.

- The General Fund cash balance decreased \$67,577 from the prior year to \$339,842. The decrease was due to state reductions in property tax reimbursements and reduction of rollback for property tax collections. There was also an increase in the public safety budget/disbursements for the repayment of loans in FY04.
- The Road Use Tax Fund cash balance increased by \$1,937 to \$176,077 during the fiscal year.
- The Urban Renewal Tax Increment Fund cash balance increased by \$8,415 to \$73,475. The increase was the result of an increase in collections on delinquent taxes received from the County.
- The Permanent Fund cash balance of \$93,470 did not change from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$13,688 to \$235,836, due primarily to increased water rates and residential and business growth.
- The Sewer Fund cash balance increased by \$25,010 to \$155,626, due primarily to increased sewer rates and residential and business growth and a minor sewer line replacement project that did not get completed.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on April 19, 2004 and resulted in an increase in operating disbursements of \$85,000 related to the police purchasing a new vehicle, the fire department building a new kitchen, local option sales tax increase and increased library maintenance.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$561,000 in bonds and other long-term debt, compared to approximately \$790,000 last year, as shown below.

<u>Outstanding Debt at Year-End</u>	
	<u>June 30, 2004</u>
General obligation bonds	\$ 120,000
Urban renewal tax increment revenue capital loan notes	130,000
Loan agreements	282,296
Lease purchase agreement	<u>28,667</u>
Total	<u>\$ 560,963</u>

Debt decreased as a result of principal payments made on existing debt and only one new debt issuance during the year. The City received bank loan proceeds totaling \$10,000 during the year for the purchase of a police vehicle.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding debt of \$560,963 is significantly below its constitutional debt limit of \$4.6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$2,136,690, an increase of 19% over the final 2004 budget. Property tax (benefiting from the 2004 rate increases and increases in assessed valuations) and proceeds from the urban renewal tax increment financing collections are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out a major urban renewal project of the City. Budgeted disbursements are expected to rise by approximately \$220,000. Increased wage and cost-of-living adjustments, increases in street construction and maintenance and the urban renewal project represent the largest increases. The City has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the City's budgeted cash balance is expected to remain relatively unchanged by the close of 2005.

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 Ty Doermann, City Administrator/Clerk, 304 E. Main, P.O. Box 218, City of West Branch, Iowa 52358.

City of West Branch

Basic Financial Statements

City of West Branch

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 438,184	53,595	124,766	-
Public works	342,145	33,048	182,233	-
Culture and recreation	224,135	66,018	19,720	-
Community and economic development	10,800	-	-	-
General government	165,493	4,706	-	-
Debt service	291,393	-	-	-
Total governmental activities	1,472,150	157,367	326,719	-
Business type activities:				
Water	237,667	250,279	-	-
Sewer	155,996	180,149	-	-
Total business type activities	393,663	430,428	-	-
Total	\$ 1,865,813	587,795	326,719	-
General Receipts:				
Property and other tax city tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bank loan proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(259,823)	-	(259,823)
(126,864)	-	(126,864)
(138,397)	-	(138,397)
(10,800)	-	(10,800)
(160,787)	-	(160,787)
(291,393)	-	(291,393)
(988,064)	-	(988,064)
-	12,612	12,612
-	24,153	24,153
-	36,765	36,765
(988,064)	36,765	(951,299)
601,097	-	601,097
181,065	-	181,065
118,743	-	118,743
5,172	1,933	7,105
10,000	-	10,000
26,887	-	26,887
942,964	1,933	944,897
(45,100)	38,698	(6,402)
931,375	352,764	1,284,139
\$ 886,275	391,462	1,277,737
\$ 176,077	-	176,077
73,475	-	73,475
1,354	-	1,354
295,527	-	295,527
339,842	391,462	731,304
\$ 886,275	391,462	1,277,737

City of West Branch

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

As of and for the year ended June 30, 2004

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 446,161	-	-
Tax increment financing collections	-	-	181,065
Other city tax	40,058	-	-
Licenses and permits	34,348	-	-
Use of money and property	8,361	-	-
Intergovernmental	108,765	182,233	-
Charges for service	45,332	-	-
Miscellaneous	57,034	-	-
Total receipts	740,059	182,233	181,065
Disbursements:			
Operating:			
Public safety	342,098	-	-
Public works	129,078	180,296	-
Culture and recreation	195,684	-	-
Community and economic development	8,414	-	-
General government	143,005	-	-
Debt service	-	-	172,650
Total disbursements	818,279	180,296	172,650
Excess of receipts over disbursements	(78,220)	1,937	8,415
Other financing sources (uses):			
Bank loan proceeds	10,000	-	-
Sale of capital assets	640	-	-
Operating transfers in	3	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	10,643	-	-
Net change in cash balances	(67,577)	1,937	8,415
Cash balances beginning of year	407,419	174,140	65,060
Cash balances end of year	\$ 339,842	176,077	73,475
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	339,842	-	-
Special revenue funds	-	176,077	73,475
Permanent fund	-	-	-
Total cash basis fund balances	\$ 339,842	176,077	73,475

See notes to financial statements.

Permanent Krouth/Enlow Principal	Nonmajor Governmental Funds	Total
-	128,315	574,476
-	-	181,065
-	124,699	164,757
-	-	34,348
-	4,728	13,089
-	16,254	307,252
-	-	45,332
-	39,057	96,091
-	313,053	1,416,410
-	96,086	438,184
-	32,771	342,145
-	28,451	224,135
-	2,386	10,800
-	22,488	165,493
-	118,743	291,393
-	300,925	1,472,150
-	12,128	(55,740)
-	-	10,000
-	-	640
-	-	3
-	(3)	(3)
-	(3)	10,640
-	12,125	(45,100)
93,470	191,286	931,375
93,470	203,411	886,275
-	1,354	1,354
-	-	339,842
-	116,478	366,030
93,470	85,579	179,049
93,470	203,411	886,275

City of West Branch

City of West Branch

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

As of and for the year ended June 30, 2004

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 1,076	857	1,933
Charges for service	227,287	180,149	407,436
Miscellaneous	22,992	-	22,992
Total operating receipts	251,355	181,006	432,361
Operating disbursements:			
Business type activities	237,667	155,996	393,663
Net change in cash balances	13,688	25,010	38,698
Cash balances beginning of year	222,148	130,616	352,764
Cash balances end of year	\$ 235,836	155,626	391,462
Cash Basis Fund Balances			
Unreserved	\$ 235,836	155,626	391,462

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of West Branch is a political subdivision of the State of Iowa located in Cedar and Johnson Counties. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of West Branch (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

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

The West Branch Firefighters has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Fire Department. In accordance with criteria set by the Governmental Accounting Standards Board, the West Branch Firefighters meets the definition of a component unit which should be blended. The financial activity for the account held by the component unit has been blended as a Special Revenue Fund of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Cedar County Assessor's Conference Board, Cedar County Joint E911 Service Board and Cedar County Emergency Management Agency.

B. Basis of Presentation

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

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

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

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

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

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some 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 from other funds.

Special Revenue:

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

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

Permanent Fund:

The Krouth/Enlow Principal Fund is used to account for funds received in trust when the Enlow Library became a public library. Only the interest earnings may be spent on operations of the public library.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 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.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and urban renewal tax increment revenue capital loan notes are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 120,000	5,640	45,000	8,730	165,000	14,370
2006	-	-	85,000	5,738	85,000	5,738
Total	\$ 120,000	5,640	130,000	14,468	250,000	20,108

The urban renewal tax increment revenue capital loan notes were issued for the purpose of paying costs of an urban renewal project and funding a previously determined finding by the City Council pursuant to Chapter 15A of the Code of Iowa regarding incentives to Sauer-Sundstrand. The notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and there will be a first lien on the future revenues thereof. The proceeds of the urban renewal tax increment revenue capital loan notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The resolution providing for the issuance of the notes requires the City to establish a sinking fund to pay the interest and principal coming due during the fiscal year. The City accounts for this activity within the Special Revenue, Urban Renewal Tax Increment Fund. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

(4) Loan Agreements

On May 13, 2002, the City entered into a loan agreement with a local bank not to exceed \$340,000. These funds will be used to finance the construction of the sanitary sewer line replacement project. The loan bears 4.65% per annum interest and matures on July 5, 2009. The loan agreement was amended on July 1, 2003 for the amount actually borrowed of \$270,994. The City is scheduled to make annual principal and interest payments of \$46,250 beginning July 5, 2003. The loan will be repaid from future sewer utility revenues. Annual debt service requirements are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2005	4.65%	\$ 35,062	11,188
2006	4.65	36,716	9,534
2007	4.65	38,446	7,804
2008	4.65	40,259	5,991
2009	4.65	42,157	4,093
2010	4.65	44,656	2,105
Total		\$ 237,296	40,715

On July 18, 2002, the City entered into a loan agreement with a local bank, not to exceed \$30,000, for warning sirens at 3.25% per annum interest. The City borrowed \$28,611 against the loan agreement in October 2002 and repaid the entire principal and interest in July 2003.

On April 23, 2003, the City entered into a loan agreement with a local bank for \$35,000 at 3.00% per annum interest for a fire truck. The loan was repaid in full on July 1, 2004.

On July 8, 2003, the City entered into a loan agreement with a local bank for \$10,000 at 2.75% per annum for a police vehicle. The loan was repaid in full on July 1, 2004.

(5) Lease Purchase Agreement

On February 13, 2001, the City entered into a lease purchase agreement to purchase snow removal equipment for \$146,000. The lease purchase agreement bears 5.34% per annum interest and matures July 15, 2004. The annual lease purchase payments are as follows:

Year Ending June 30,	Amount
2005	\$ 30,199
Less amount representing interest	<u>(1,532)</u>
Present value of net minimum lease payments	<u><u>\$ 28,667</u></u>

Principal payments of \$27,212 and interest payments of \$2,986 were made on this lease during the year ended June 30, 2004.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$25,930, \$23,248 and \$23,082, respectively, equal to the required contributions for each year.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours 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.

Employees eligible for retirement will receive one-half of their accumulated sick leave balance. However, the employees must have earned the maximum days allowable before sick leave benefits under this plan are effective. No employees were eligible for sick leave benefits at June 30, 2004.

The City's approximate liability for earned vacation hours payable to employees at June 30, 2004, primarily relating to the General Fund, was \$23,000. This liability has been computed based on rates of pay in effect at June 30, 2004.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Permanent: Cemetery Perpetual Care	<u>\$ 3</u>

The transfer moves interest earned in the Cemetery Perpetual Care Fund to the General Fund where it is used for cemetery operations in accordance with Chapter 566.16 of the Code of Iowa.

(9) 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.

(10) Community Development Block Grant (CDBG)

The Iowa Department of Economic Development (DED) and the City entered into a grant agreement on November 21, 2001 for \$450,000 as part of DED's CDBG program. The City subsequently entered into a loan agreement with Plastic Products Company, Inc. The loan agreement has two components: (1) a \$225,000 direct loan and (2) a \$225,000 forgivable loan. The City received the funds from DED on August 22, 2002 and then loaned \$450,000 to the business.

A letter dated April 26, 2004 from DED to the City documented the reduction of the grant award from \$450,000 to \$274,500 based upon the actual number of full time equivalent positions created by Plastic Products Company, Inc. DED requested repayment of \$175,500 from the City/Plastic Products Company, Inc. On July 9, 2004, Plastic Products Company, Inc. refunded the entire \$175,500 to the City which, in turn, returned the funds to DED. The structure of the loan agreement is as follows: (1) \$137,250 loan and (2) \$137,250 forgivable loan.

(11) Accounting Change and Restatement

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

(12) Tax Increment Development Agreement

On February 3, 2003, the City entered into a tax increment development agreement with Procter and Gamble Hair Care, L.L.C. (P & G). Under the terms of the agreement, P & G will undertake an urban renewal project consisting of certain improvements to be completed in the West Branch Urban Renewal Area. The City agreed to rebate to P & G incremental property taxes actually paid with respect to these improvements and received under Iowa Code Section 403.19 for a period of five years beginning with the tax year in which property taxes on the completed value of the improvements are first paid.

In addition, the City agreed to allow a schedule of exemption from property taxes under Chapter 15.332 of the Code of Iowa from the time the improvements are first assessed, as follows:

Year 1 through 5	No exemption
Year 6	75% exemption
Year 7	60% exemption
Year 8	45% exemption
Year 9	30% exemption
Year 10	15% exemption

During the year ended June 30, 2004, no rebates were made to P & G.

Required Supplementary Information

City of West Branch
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 574,476	-	-
Tax increment financing collections	181,065	-	-
Other city tax	164,757	-	-
Licenses and permits	34,348	-	-
Use of money and property	13,089	1,933	11
Intergovernmental	307,252	-	16,254
Charges for service	45,332	407,436	-
Miscellaneous	96,091	22,992	35,037
Total receipts	<u>1,416,410</u>	<u>432,361</u>	<u>51,302</u>
Disbursements:			
Public safety	438,184	-	45,828
Public works	342,145	-	-
Culture and recreation	224,135	-	-
Community and economic development	10,800	-	-
General government	165,493	-	-
Debt service	291,393	-	-
Business type activities	-	393,663	-
Total disbursements	<u>1,472,150</u>	<u>393,663</u>	<u>45,828</u>
Excess (deficiency) of receipts over (under) disbursements	(55,740)	38,698	5,474
Other financing sources, net	10,640	-	-
Excess (deficiency) of receipts and other other financing sources over (under) disbursements and other financing uses	(45,100)	38,698	5,474
Balances beginning of year	<u>931,375</u>	<u>352,764</u>	<u>6,679</u>
Balances end of year	<u>\$ 886,275</u>	<u>391,462</u>	<u>12,153</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
574,476	553,370	553,370	21,106
181,065	172,502	172,502	8,563
164,757	104,188	138,188	26,569
34,348	4,500	4,500	29,848
15,011	34,450	34,450	(19,439)
290,998	299,181	299,181	(8,183)
452,768	491,342	511,342	(58,574)
84,046	57,804	57,804	26,242
<u>1,797,469</u>	<u>1,717,337</u>	<u>1,771,337</u>	<u>26,132</u>
392,356	366,014	393,514	1,158
342,145	355,187	355,187	13,042
224,135	229,561	252,061	27,926
10,800	11,905	12,905	2,105
165,493	171,843	171,843	6,350
291,393	257,502	257,502	(33,891)
393,663	439,191	473,191	79,528
<u>1,819,985</u>	<u>1,831,203</u>	<u>1,916,203</u>	<u>96,218</u>
(22,516)	(113,866)	(144,866)	122,350
10,640	-	23,800	(13,160)
(11,876)	(113,866)	(121,066)	109,190
<u>1,277,460</u>	<u>1,106,493</u>	<u>1,106,493</u>	<u>170,967</u>
<u>1,265,584</u>	<u>992,627</u>	<u>985,427</u>	<u>280,157</u>

City of West Branch

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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 blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$85,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the debt service function.

Other Supplementary Information

City of West Branch

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

As of and for the year ended June 30, 2004

			Volunteer	Special
	Employee	Tort	Fire	Trees and
	Benefits	Liability	Department	More
Receipts:				
Property tax	\$ 93,094	33,570	-	-
Other city tax	4,321	1,559	-	-
Use of money and property	-	-	11	-
Intergovernmental	-	-	16,254	-
Miscellaneous	-	-	35,037	-
Total receipts	97,415	35,129	51,302	-
Disbursements:				
Operating:				
Public safety	33,017	17,241	45,828	-
Public works	22,743	10,028	-	-
Culture and recreation	19,619	8,832	-	-
Community and economic development	-	-	-	2,386
General government	14,682	7,806	-	-
Debt service	-	-	-	-
Total disbursements	90,061	43,907	45,828	2,386
Excess (deficiency) of receipts over (under) disbursements	7,354	(8,778)	5,474	(2,386)
Other financing uses:				
Operating transfers out	-	-	-	-
Net change in cash balances	7,354	(8,778)	5,474	(2,386)
Cash balances beginning of year	30,146	23,482	6,679	4,870
Cash balances end of year	\$ 37,500	14,704	12,153	2,484
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	-
Unreserved:				
Special revenue funds	37,500	14,704	12,153	2,484
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 37,500	14,704	12,153	2,484

See accompanying independent auditor's report.

Revenue						
Emergency Tax	Local Option Sales Tax	Krouth/Enlow	Debt Service	Permanent Cemetery Perpetual Care	Total	
1,651	-	-	-	-	128,315	
76	118,743	-	-	-	124,699	
-	-	4,714	-	3	4,728	
-	-	-	-	-	16,254	
-	-	-	-	4,020	39,057	
1,727	118,743	4,714	-	4,023	313,053	
-	-	-	-	-	96,086	
-	-	-	-	-	32,771	
-	-	-	-	-	28,451	
-	-	-	-	-	2,386	
-	-	-	-	-	22,488	
-	118,743	-	-	-	118,743	
-	118,743	-	-	-	300,925	
-	-	4,714	-	4,023	12,128	
-	-	-	-	(3)	(3)	
1,727	-	4,714	-	4,020	12,125	
4,547	-	38,649	1,354	81,559	191,286	
6,274	-	43,363	1,354	85,579	203,411	
-	-	-	1,354	-	1,354	
6,274	-	43,363	-	-	116,478	
-	-	-	-	85,579	85,579	
6,274	-	43,363	1,354	85,579	203,411	

City of West Branch
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	Dec 1, 1996	4.25 – 4.70%	\$ 645,000
Urban renewal tax increment revenue capital loan notes			
	Dec 1, 1996	6.30 – 6.75%	\$ 310,000
Loan agreements:			
Sanitary sewer line replacement	May 13, 2002	4.65%	\$ 340,000
Warning sirens	Jul 18, 2002	3.25	30,000
Fire truck	Apr 23, 2003	3.00	35,000
Police vehicle	Jul 8, 2003	2.75	10,000
Lease purchase agreement:			
Snow removal equipment	Feb 13, 2001	5.34%	\$ 146,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
230,000	-	110,000	120,000	10,700
170,000	-	40,000	130,000	11,350
270,994	-	33,698	237,296	12,552
28,611	-	28,611	-	656
35,000	-	-	35,000	-
-	10,000	-	10,000	-
\$ 334,605	10,000	62,309	282,296	13,208
55,879	-	27,212	28,667	2,986

Schedule 3

City of West Branch
Bond and Note Maturities
June 30, 2004

Year Ending June 30,	<u>General Obligation Bonds</u> <u>Essential Corporate Purpose</u> <u>Issued Dec 1, 1996</u>		<u>Urban Renewal Tax Increment</u> <u>Revenue Capital Loan Notes</u> <u>Issued Dec 1, 1996</u>	
	Interest Rates	Amount	Interest Rates	Amount
2005	4.70%	\$ 120,000	6.65%	\$ 45,000
2006		-	6.75	85,000
Total		<u>\$ 120,000</u>		<u>\$ 130,000</u>

See accompanying independent auditor's report.

City of West Branch

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

For the Last Two Years

	2004	2003
Receipts:		
Property tax	\$ 574,476	525,954
Tax increment financing collections	181,065	186,835
Other city tax	164,757	155,630
Licenses and permits	34,348	56,078
Use of money and property	13,089	42,428
Intergovernmental	307,252	770,726
Charges for service	45,332	47,244
Miscellaneous	96,091	60,327
	<hr/>	<hr/>
Total	\$ 1,416,410	1,845,222
Disbursements:		
Operating:		
Public safety	\$ 438,184	316,924
Public works	342,145	402,599
Culture and recreation	224,135	198,601
Community and economic development	10,800	461,375
General government	165,493	276,432
Debt service	291,393	174,975
Capital projects	-	183,801
	<hr/>	<hr/>
Total	\$ 1,472,150	2,014,707

See accompanying independent auditor's report.

City of West Branch



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of West Branch, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 11, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of West Branch's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (2) and (9).

Internal Control Over Financial Reporting

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

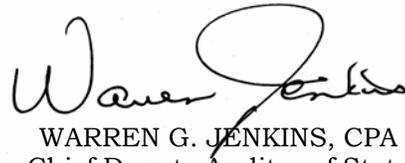
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Branch and other parties to whom the City of West Branch may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Branch 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 11, 2004

City of West Branch
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

(A) Computer Controls – The City does not have written policies and procedures regarding the use and operation of the City’s computer system. The following were noted:

- The computer system does not prompt/require the user to change their passwords every 60 to 90 days.
- The City does not have a policy on usage of the internet.
- The City does not have a written disaster recovery plan to address critical applications, staff responsibilities, etc. in the event of a natural disaster or other emergency situations.

Recommendation – The City should establish written policies and procedures regarding the use and operation of their computer system. These policies and procedures should, at a minimum, address the conditions identified above.

Response –

- The City changes passwords every 60-90 days on our own, not computer order. We will contact CMS to make computer prompt the change.
- The City is drafting a policy for internet usage for Council passage by end of calendar year 2004.
- Staff and Council will develop a disaster recovery plan to address critical applications and staff responsibilities etc., in the event of a natural disaster, to completed by the end of calendar year 2004.

Conclusion – Response accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The City has changed amendment procedures to ensure “option tax” line item is amended so this mistake does not happen again. The State does not give the City updated information prior to amendment time. We will contact the State at time of the amendment.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Bob Caldwell, Council Member, Interim Director of Community Access Television	Contract fees paid by the City for Interim Director position	<u>\$ 2,500</u>

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transaction with the Council Member does not appear to represent a conflict of interest since the cumulative amount did not exceed \$2,500 during the fiscal year.

However, the City should consult legal counsel to determine if the payments made pursuant to the contract with the Council Member for the Interim Director position is a violation of Chapter 372.13(8) of the Code of Iowa which states, in part, “Except as provided in section 362.5, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office...”

City of West Branch

Schedule of Findings

Year ended June 30, 2004

Recommendation – The City should consult legal counsel to determine whether the payments made pursuant to the contract with the Council Member for the position of Interim Director of Community Access Television violates Chapter 372.13(8) of the Code of Iowa.

Response from City Attorney – By way of background, let me first of all say that this issue was considered at the time Mr. Caldwell was named Interim Director. We concluded at the time that his serving as Interim Director was not a violation of 372.13(8), given the language of 362.5(11).

Section 372.13(8) provides, in relevant part, as follows:

“... Except as provided in Section 362.5, an elected city officer is not entitled to receive any other compensation of any other city office or city employment during that officer’s tenure in office, but may be reimbursed for actual expenses incurred...”

Section 362.5 provides, in relevant part:

“... A city office or employer shall not have interest, direct or indirect, in any contract or job of work or material or the profits thereof or services to be furnished or performed for the officer’s or employee’s city. A contract entered into in violation of this section is void. The provisions of this section do not apply to:

...11. Contracts not otherwise permitted by this section for the purchase of goods or services by a city having a population of two thousand five hundred or less, which benefit a city officer or employee, if the purchases benefiting that officer or employee do not exceed a cumulative total purchase price of two thousand five hundred dollars in a fiscal year.”

It is my opinion that, since West Branch does not have a population over two thousand five hundred, and since the payments made to Council Member Caldwell did not exceed \$2,500 in the fiscal year, the payments made to Council Member Caldwell in his position of Interim Director of Community Access Television meet the “except as provided in Section 362.5” test, do not, therefore, violate Chapter 372.13(8).

Conclusion – Response accepted.

- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of West Branch

Schedule of Findings

Year ended June 30, 2004

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Special Revenue, Urban Renewal Tax Increment Fund. Chapter 384.4 of the Code of Iowa states in part that “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.”

Recommendation – The City should transfer from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service, General Obligation Bonds Fund for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund.

Response – Staff has corrected this problem to ensure payment disbursement will come from Debt Service Fund.

Conclusion – Response accepted.

- (10) Corrective Transfer – PPEL tax collections of \$5,349 received from the local school district during the year were credited to the General Fund, General Account instead of the Special Revenue Fund, Urban Renewal Tax Increment Fund.

Recommendation – The City should transfer \$5,349 from the General Fund, General Account to the Special Revenue Fund, Urban Renewal Tax Increment Fund to correct this posting error.

Response – The City Council passed Resolution 696 on August 16, 2004 to make this correction.

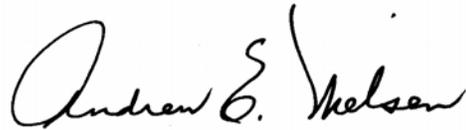
Conclusion – Response accepted.

City of West Branch

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager
John G. Vanis, CGFM, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State