



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

December 11, 2007

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$3,569,960 for the year ended June 30, 2007, a 26 percent decrease from 2006. The receipts included \$829,292 in property tax, \$530,449 from tax increment financing, \$845,296 from charges for service, \$394,812 from operating grants, contributions and restricted interest, \$527 from local option sales tax, \$59,553 from unrestricted interest on investments, \$881,957 from bond and loan proceeds, \$256 from the sale of assets and \$27,818 from other general receipts.

Disbursements for the year totaled \$3,628,432, a 23 percent decrease from the prior year, and included \$947,954 for public works, \$655,999 for debt service and \$450,128 for public safety. Also, disbursements for business type activities totaled \$969,103.

The decrease in receipts and disbursements is due primarily to reduced bond and loan financing and a decrease in water improvement projects during the fiscal year.

A copy of the report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF WEST BRANCH
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007

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City of West Branch

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandra Hatfield	Mayor	Jan 2010
Mark Worrell	Mayor Pro tem	Jan 2008
Bill Krall	Council Member	Jan 2008
Howard Moss	Council Member	Jan 2008
Ken Peplow	Council Member	Jan 2010
Todd Stoolman	Council Member	Jan 2010
Ty Doermann	Administrator/Clerk	(Resigned May 2007)
Deb Fiderlein	Clerk	Indefinite
Betty Ellerhoff	Deputy Clerk	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, 2007, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

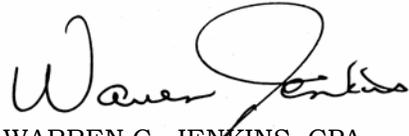
In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2007 on our consideration of the City of West Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 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 certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 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

October 29, 2007

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 14%, or approximately \$312,000, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$191,000, tax increment financing decreased approximately \$70,000 and loan proceeds increased approximately \$289,000.
- Disbursements of the City's governmental activities increased 23%, or approximately \$502,000, in fiscal 2007 over fiscal 2006. Public safety disbursements decreased approximately \$312,000 while public works disbursements increased approximately \$637,000 and capital projects disbursements increased approximately \$133,000.
- The City's total cash basis net assets decreased 4%, or approximately \$58,000 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately \$33,000 and the assets of the business type activities decreased by approximately \$25,000.

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 and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, 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, 4) the Capital Projects Fund and 5) 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.

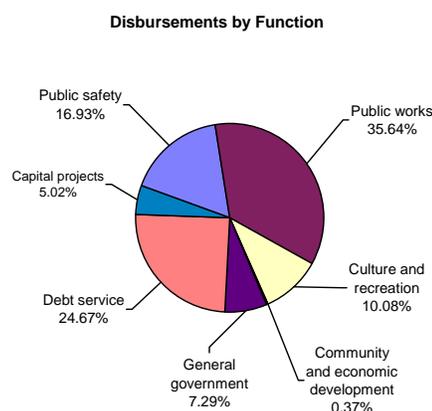
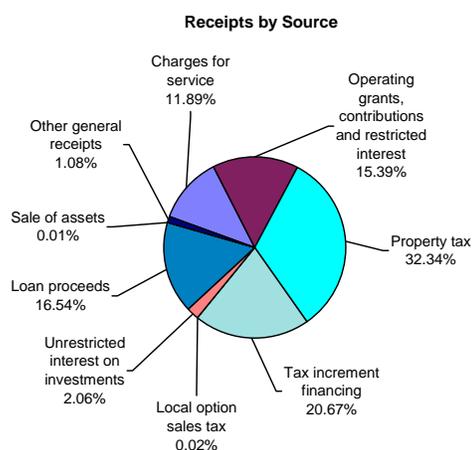
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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 \$33,655 from a year ago, from \$1,022,791 to \$989,136. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service	\$ 305,140	128,864
Operating grants, contributions and restricted interest	394,812	475,109
General receipts:		
Property tax	829,292	638,204
Tax increment financing	530,449	600,430
Local option sales tax	527	74,575
Unrestricted interest on investments	52,980	34,227
Loan proceeds	424,400	135,000
Other general receipts	27,818	29,338
Sale of assets	256	138,183
Total receipts	2,565,674	2,253,930
Disbursements:		
Public safety	450,128	761,810
Public works	947,954	311,379
Culture and recreation	268,101	216,177
Community and economic development	9,790	10,215
General government	193,989	157,507
Debt service	655,999	699,851
Capital projects	133,368	-
Total disbursements	2,659,329	2,156,939
Change in cash basis net assets before transfers	(93,655)	96,991
Transfers, net	60,000	-
Change in cash basis net assets	(33,655)	96,991
Cash basis net assets beginning of year	1,022,791	925,800
Cash basis net assets end of year	\$ 989,136	1,022,791



The City's total receipts for governmental activities increased 14%, or approximately \$312,000. The total cost of all programs and services increased by approximately \$502,000, or 23%. The significant increase in receipts was primarily due to the increase in property tax of \$191,088, charges for service of \$176,276, due primarily to an increase in building permits, and an increase in loan proceeds of \$289,400. The increase in disbursements was primarily due to increased public works and capital projects disbursements of \$636,575 and \$133,368, respectively.

The City increased property tax rates for 2007 by an average of 13%. This increase, coupled with the increase in property valuations of approximately 14%, increased the City's property tax receipts approximately \$191,000 in 2007.

The cost of all governmental activities this year was \$2,659,329 compared to \$2,156,939 last year. However, as shown in the Statement of Activities and Net Assets on pages 14 and 15, the amount taxpayers ultimately financed for these activities was only \$1,959,377 because some of the cost was paid by those who directly benefited from the programs (\$305,140) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$394,812). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2007 from approximately \$2,254,000 to approximately \$2,566,000, principally due to increases in loan proceeds and increases in licenses and permits. The City paid for the remaining "public benefit" portion of governmental activities with \$1,359,741 in levied taxes, \$424,400 of loan proceeds and \$81,581 in other receipts, such as interest and miscellaneous receipts.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 341,080	277,192
Sewer	199,076	185,346
General receipts:		
Unrestricted interest on investments	6,573	8,769
Bond proceeds	457,557	2,096,163
Total receipts	<u>1,004,286</u>	<u>2,567,470</u>
Disbursements:		
Water	788,394	2,376,038
Sewer	180,709	172,996
Total disbursements	<u>969,103</u>	<u>2,549,034</u>
Change in cash basis net assets before transfers	35,183	18,436
Transfers, net	<u>(60,000)</u>	-
Change in cash basis net assets	(24,817)	18,436
Cash basis net assets beginning of year	<u>358,805</u>	<u>340,369</u>
Cash basis net assets end of year	<u>\$ 333,988</u>	<u>358,805</u>

Total business type activities receipts for the fiscal year were \$1,004,286 compared to \$2,567,470 last year. The decrease was due primarily to the receipt of bond proceeds in 2006. The cash balance decreased \$24,817 from the prior year. Total disbursements for the fiscal year decreased 62% to \$969,103, primarily due to the water main extension and water tower construction projects during fiscal 2006.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Branch completed the year, its governmental funds reported a combined cash balance of \$989,136, a decrease of \$33,655 from last year’s total of \$1,022,791. 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 increased \$98,771 from the prior year to \$390,613. The increase was due in part to the increase in licenses and permits receipts, which included three building permits totaling \$129,097. The increase was also due in part to an increase in property tax and an increase in police donations.
- The Road Use Tax Fund cash balance decreased \$159,757 to \$50,717. The decrease was due to an increase in disbursements of approximately \$449,000 due in part to the RISE road project.
- The Economic Development Fund cash balance remained constant at \$138,935 during fiscal 2007.
- The Urban Renewal Tax Increment Fund cash balance remained constant at \$24,084 during fiscal 2007. Receipts of \$530,449 were rebated to Proctor and Gamble during fiscal 2007.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$16,240 to \$141,584. During the year, the City received \$457,557 of bond proceeds and expended \$472,037 for the water improvement project.
- The Sewer Fund cash balance decreased \$8,577 to \$192,404 due in part to a transfer of \$30,000 to the Capital Projects Fund for the maintenance building.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on December 18, 2006 to provide for additional receipts in licenses and permits and other financing sources along with disbursements in certain City departments. The second amendment was approved on May 7, 2007 to adjust receipts for the additional bank loans and bond proceeds and increase disbursements for public work and capital projects.

The City’s receipts were \$137,651 less than budgeted. This was primarily due to the City receiving less in miscellaneous receipts than anticipated.

Total disbursements were \$930,503 less than the amended budget. This was primarily due to public works projects and capital projects not being started at anticipated times prior to June 30, 2007. Construction will continue during fiscal 2008.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$3,108,449 in bonds and other long-term debt outstanding, compared to \$2,447,259 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
General obligation bonds	\$ 1,671,000	1,740,000
Loan agreements	588,944	280,561
Revenue bonds	848,505	426,698
Total	<u>\$ 3,108,449</u>	<u>2,447,259</u>

Debt increased as a result of issuing loan agreements and revenue bonds for the water main extension, water tower projects, public works maintenance building and the RISE road project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,559,944 is significantly below its constitutional debt limit of \$5.2 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$2,424,970, a decrease of 27% from the final 2007 budget. Water rates are expected to remain constant since the rates were increased in 2006. Budgeted disbursements are expected to decrease \$906,891. The decrease in disbursements is primarily due to the water project nearing completion. The City has added no major new programs/projects or incentives to the 2008 budget.

If these estimates are realized, the City's budgeted cash balance is expected to remain relatively unchanged by the close of 2008.

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 Deb Fiderlein, City Clerk, 304 E. Main, P.O. Box 218, City of West Branch, Iowa 52358-0218.

Basic Financial Statements

City of West Branch

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 450,128	219,567	145,770
Public works	947,954	40,126	182,359
Culture and recreation	268,101	15,982	63,023
Community and economic development	9,790	-	3,660
General government	193,989	29,465	-
Debt service	655,999	-	-
Capital projects	133,368	-	-
Total governmental activities	2,659,329	305,140	394,812
Business type activities:			
Water	788,394	341,080	-
Sewer	180,709	199,076	-
Total business type activities	969,103	540,156	-
Total	\$ 3,628,432	845,296	394,812
General Receipts:			
Property and other city tax levied for:			
General purposes			
Tax increment financing			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Bond and loan proceeds			
Sale of assets			
Miscellaneous			
Transfers			
Total general receipts and transfers			
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			
Other purposes			
Debt service			
Capital projects			
Economic development			
Permanent fund 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
(84,791)	-	(84,791)
(725,469)	-	(725,469)
(189,096)	-	(189,096)
(6,130)	-	(6,130)
(164,524)	-	(164,524)
(655,999)	-	(655,999)
(133,368)	-	(133,368)
(1,959,377)	-	(1,959,377)
-	(447,314)	(447,314)
-	18,367	18,367
-	(428,947)	(428,947)
(1,959,377)	(428,947)	(2,388,324)

702,169	-	702,169
530,449	-	530,449
127,123	-	127,123
527	-	527
52,980	6,573	59,553
424,400	457,557	881,957
256	-	256
27,818	-	27,818
60,000	(60,000)	-
1,925,722	404,130	2,329,852
(33,655)	(24,817)	(58,472)
1,022,791	358,805	1,381,596
\$ 989,136	333,988	1,323,124

\$ 50,717	-	50,717
24,084	-	24,084
194,281	-	194,281
2,927	19,323	22,250
1,896	-	1,896
138,935	-	138,935
185,683	-	185,683
390,613	314,665	705,278
\$ 989,136	333,988	1,323,124

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, 2007

	Special Revenue		
	General	Road Use Tax	Economic Development
Receipts:			
Property tax	\$ 552,561	-	-
Tax increment financing	-	-	-
Other city tax	23,919	-	-
Licenses and permits	152,068	-	-
Use of money and property	49,262	994	-
Intergovernmental	115,647	182,359	-
Charges for service	51,555	-	-
Miscellaneous	103,520	-	-
Total receipts	1,048,532	183,353	-
Disbursements:			
Operating:			
Public safety	342,793	-	-
Public works	317,349	593,110	-
Culture and recreation	235,727	-	-
Community and economic development	8,220	-	-
General government	153,141	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,057,230	593,110	-
Deficiency of receipts under disbursements	(8,698)	(409,757)	-
Other financing sources (uses):			
Sale of capital assets	256	-	-
Loan proceeds	424,400	-	-
Operating transfers in	8,080	250,000	-
Operating transfers out	(325,267)	-	-
Total other financing sources (uses)	107,469	250,000	-
Net change in cash balances	98,771	(159,757)	-
Cash balances beginning of year	291,842	210,474	138,935
Cash balances end of year	\$ 390,613	50,717	138,935
Cash Basis Fund Balances			
Reserved for:			
Debt service	\$ -	-	-
Capital projects	-	-	-
Unreserved:			
General fund	390,613	-	-
Special revenue funds	-	50,717	138,935
Permanent funds	-	-	-
Total cash basis fund balances	\$ 390,613	50,717	138,935

See notes to financial statements.

Urban Renewal		
Tax Increment	Nonmajor	Total
-	276,731	829,292
530,449	-	530,449
-	527	24,446
-	-	152,068
-	6,958	57,214
-	17,181	315,187
-	-	51,555
-	77,287	180,807
530,449	378,684	2,141,018

-	107,335	450,128
-	37,495	947,954
-	32,374	268,101
-	1,570	9,790
-	40,848	193,989
530,449	125,550	655,999
-	133,368	133,368
530,449	478,540	2,659,329

-	(99,856)	(518,311)
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-	-	256
-	-	424,400
-	135,267	393,347
-	(8,080)	(333,347)
-	127,187	484,656
-	27,331	(33,655)
24,084	357,456	1,022,791
24,084	384,787	989,136

-	2,927	2,927
-	1,896	1,896
-	-	390,613
24,084	194,281	408,017
-	185,683	185,683
24,084	384,787	989,136

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, 2007

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 334,249	199,076	533,325
Miscellaneous	6,831	-	6,831
Total operating receipts	341,080	199,076	540,156
Operating disbursements:			
Business type activities	258,646	134,459	393,105
Excess of operating receipts over operating disbursements	82,434	64,617	147,051
Non-operating receipts (disbursements):			
Interest on investments	3,517	3,056	6,573
Revenue bond proceeds	457,557	-	457,557
Purchase of capital assets	(472,037)	-	(472,037)
Debt service	(57,711)	(46,250)	(103,961)
Total non-operating receipts (disbursements)	(68,674)	(43,194)	(111,868)
Excess of receipts over disbursements	13,760	21,423	35,183
Operating transfers out	(30,000)	(30,000)	(60,000)
Net change in cash balances	(16,240)	(8,577)	(24,817)
Cash balances beginning of year	157,824	200,981	358,805
Cash balances end of year	\$ 141,584	192,404	333,988
Cash Basis Fund Balances			
Reserved for debt service	\$ 19,323	-	19,323
Unreserved	122,261	192,404	314,665
Total cash basis fund balances	\$ 141,584	192,404	333,988

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2007

(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 units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The following component units are entities that are legally separate from the City, but are so intertwined with the City that they, in substance, are the same as the City. They are 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.

The Friends of the West Branch Public Library 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 general operation of the West Branch Public Library. In accordance with criteria set by the Governmental Accounting Standards Board, the Friends of the West Branch Public Library 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 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 Statement – 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 not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those 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 not paid from other funds.

Special Revenue:

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

The Economic Development Fund is used for revolving loan(s) for new businesses and economic development of new business.

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

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.

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 incurred, 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.

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, 2007, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and water revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds			Water Revenue Bonds		
	June 2, 2005			June 2, 2005		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 71,000	50,130	121,130	33,000	24,840	57,840
2009	73,000	48,000	121,000	34,000	23,850	57,850
2010	76,000	45,810	121,810	35,000	12,830	47,830
2011	78,000	43,530	121,530	36,000	21,780	57,780
2012	80,000	41,190	121,190	37,000	20,700	57,700
2013-2017	439,000	168,360	607,360	203,000	86,160	289,160
2018-2022	510,000	98,400	608,400	235,000	53,820	288,820
2023-2026	344,000	20,850	364,850	215,000	16,380	231,380
Total	\$ 1,671,000	516,270	2,187,270	828,000	260,360	1,088,360

On June 2, 2005, the City entered into agreements with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$1,740,000 of general obligation water improvement bonds and \$860,000 of water revenue bonds, both with an interest rate of 3.0% per annum. The bonds were issued pursuant to the provisions of Chapter 384 and Section 384.24A of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system.

On June 1, 2007, the City entered into an agreement with the Iowa Finance Authority and Wells Fargo Bank, N.A. for the issuance of water revenue bonds not to exceed \$125,000 with an interest rate of 3.0% per annum. The bonds were issued pursuant to the provisions of Chapter 384 and Section 384.24A of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. Upon request, the Trustee will reimburse the City for costs as they are incurred. As of June 30, 2007, the City has drawn \$25,505 of the funds available.

At June 30, 2007, the City had drawn \$1,740,000 of the general obligation water improvement bonds, \$860,000 of the 2005 water revenue bond and \$25,505 of the 2007 water revenue bond, including initiation fees of \$17,400, \$8,600 and \$1,250, respectively. A formal repayment schedule for the water revenue bonds has not been adopted for the June 1, 2007 water bonds issuance.

Revenue Bonds

The resolution providing for the issuance of the water revenue bonds issued under a loan agreement between the City, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the water fund and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the water fund for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the water fund after making the required transfers shall be placed in a water revenue surplus account. As long as the sinking account has the full amount required to be deposited, the balance in the surplus account may be made available to the City as the Council may direct.

(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 were used to finance the construction of a 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 and to require 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:

Sanitary Sewer Replacement Line Loan				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2008	4.65%	\$ 40,259	5,991	46,250
2009	4.65	42,157	4,093	46,250
2010	4.65	44,656	2,105	46,761
Total		\$ 127,072	12,189	139,261

On August 4, 2005, the City entered into a loan agreement with a local bank not to exceed \$135,000. The funds were used to finance the purchase of a Fire Pumper/Rescue Truck. The loan bears 4.10% per annum interest and matures on August 1, 2008. The City was scheduled to make two annual payments of \$48,778 for principal and interest beginning August 1, 2006 and a final payment to be made on August 1, 2008. However, in June 2006, the City paid \$20,000 toward principal. The unpaid principal balance at June 30, 2006 was \$115,000. In July 2006, the City paid an additional \$83,000 toward principal and interest. The unpaid principal at June 30, 2007 was \$37,472. In July 2007, the City paid the remaining balance.

On February 14, 2007, the City entered into a loan agreement with a local bank not to exceed \$174,400. These funds were used to finance the construction of a Public Works Department maintenance building. The loan bears 5.35% per annum interest and matures on July 10, 2013. Annual debt service requirements are as follows:

Public Works Maintenance Building Loan				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2008	5.35%	\$ 27,218	3,732	30,950
2009	5.35	23,076	7,874	30,950
2010	5.35	24,310	6,640	30,950
2011	5.35	25,611	5,339	30,950
2012	5.35	26,981	3,969	30,950
2013	5.35	28,425	2,525	30,950
2014	5.35	18,779	1,005	19,784
Total		\$ 174,400	31,084	205,484

On June 15, 2007, the City entered into a loan agreement with a local bank not to exceed \$250,000. These funds were used to finance a RISE road project. The loan bears 4.30% per annum interest and matures on November 15, 2010. Annual debt service requirements are as follows:

Rise Project Loan				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2008	4.30%	\$ -	-	-
2009	4.30	76,852	15,450	92,302
2010	4.30	84,856	7,446	92,302
2011	4.30	88,292	3,797	92,089
Total		\$ 250,000	26,693	276,693

(5) 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 3.70% of their annual covered salary and the City is required to contribute 5.75% of 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 contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$30,868, \$28,150 and \$27,399, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp 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, 2007.

The City's approximate liability for earned vacation hours payable to employees at June 30, 2007, primarily relating to the General Fund, was \$42,700. This liability has been computed based on rates of pay in effect at June 30, 2007.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Krouth/Enlow	\$ 8,080
Special Revenue: Road Use Tax	General	250,000
Permanent: Cemetery Perpetual Care	General	267
Capital Projects	General	75,000
	Enterprise: Water	30,000
	Sewer	30,000
Total		<u>\$ 393,347</u>

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

(8) 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.

(9) 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 tax actually paid for the first five years and that percentage of incremental tax paid for years six through ten with respect to these improvements and received under Iowa Code Section 403.19 for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements are first paid.

On April 17, 2007, the City entered into a second tax increment development agreement with P & G. Under the terms of the agreement, as amended on August 2, 2007, 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 tax actually paid for the first two years and that percentage of incremental tax paid for years three through ten with respect to these improvements and received under Iowa Code Section 403.19 for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements are first paid.

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

**Proctor & Gamble Hair Care L.L.C.
2003**

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

**Proctor & Gamble Hair Care L.L.C.
2007**

Year 1	No exemption
Year 2	No exemption
Year 3	95% exemption
Year 4	85% exemption
Year 5	75% exemption
Year 6	65% exemption
Year 7	55% exemption
Year 8	45% exemption
Year 9	35% exemption
Year 10	25% exemption

During the year ended June 30, 2007, \$530,449 of rebates were made to P & G. The total rebates made through the first three years of this agreement total \$1,448,817.

(10) Construction Contracts

On November 21, 2005, the City entered into construction contracts, including change orders totaling \$1,232,784, for a water tower (\$677,650) and water main extension (\$555,134). At June 30, 2007, \$1,175,263 had been paid for work completed. The unpaid contract balances totaled \$57,521 and will be paid as work on the projects are completed.

On August 23, 2006, the City entered into a Revitalize Iowa's Sound Economy (RISE) Grant Supplemental Agreement with Proctor and Gamble Hair Care L.L.C. (P & G) to set forth the obligations regarding local contributions of the City and P & G for the construction of the new roadway on the south side of the West Branch Industrial Park. The City entered into a construction contract totaling \$834,771, including two change orders for the RISE road project. At June 30, 2007, \$321,487 had been paid. In July 2007, two change orders were received increasing the project cost to \$898,088.

On May 14, 2007, the City entered into an agreement with the Iowa Department of Transportation for a Revitalize Iowa's Sound Economy (RISE) Project for authorized and approved costs for eligible items associated with the intersection improvement, as well as ramp terminal improvements, for an estimated project total of \$561,005.

(11) Litigation

The City is currently a defendant in two lawsuits. The probability and amount of loss, if any, is undeterminable.

(12) Subsequent Event

On July 2, 2007 the City entered into a tax increment development agreement with Acciona Windpower North America, L.L.C. to rebate a percentage of incremental property tax for a period of eight years. The rebate begins with the tax year in which property taxes on the completed value of the improvements are first paid.

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 829,292	-	-
Tax increment financing	530,449	-	-
Other city tax	24,446	-	-
Licenses and permits	152,068	-	-
Use of money and property	57,214	6,573	-
Intergovernmental	315,187	-	17,181
Charges for service	51,555	533,325	-
Miscellaneous	180,807	6,831	49,329
Total receipts	2,141,018	546,729	66,510
Disbursements:			
Public safety	450,128	-	45,283
Public works	947,954	-	-
Culture and recreation	268,101	-	4,052
Community and economic development	9,790	-	-
General government	193,989	-	-
Debt service	655,999	-	-
Capital projects	133,368	-	-
Business type activities	-	969,103	-
Total disbursements	2,659,329	969,103	49,335
Excess (deficiency) of receipts over (under) disbursements	(518,311)	(422,374)	17,175
Other financing sources, net	484,656	397,557	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(33,655)	(24,817)	17,175
Balances beginning of year	1,022,791	358,805	48,951
Balances end of year	\$ 989,136	333,988	66,126

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
829,292	806,233	806,233	23,059
530,449	529,783	530,450	(1)
24,446	16,701	16,701	7,745
152,068	22,500	106,500	45,568
63,787	14,150	38,516	25,271
298,006	306,934	171,133	126,873
584,880	582,226	582,226	2,654
138,309	441,584	507,129	(368,820)
<u>2,621,237</u>	<u>2,720,111</u>	<u>2,758,888</u>	<u>(137,651)</u>
404,845	370,191	405,191	346
947,954	633,618	1,557,218	609,264
264,049	261,142	302,642	38,593
9,790	10,705	10,705	915
193,989	158,415	198,865	4,876
655,999	657,260	657,927	1,928
133,368	-	215,000	81,632
969,103	862,052	1,162,052	192,949
<u>3,579,097</u>	<u>2,953,383</u>	<u>4,509,600</u>	<u>930,503</u>
(957,860)	(233,272)	(1,750,712)	792,852
882,213	300,000	1,530,000	(647,787)
(75,647)	66,728	(220,712)	145,065
<u>1,332,645</u>	<u>1,281,887</u>	<u>1,281,887</u>	<u>50,758</u>
<u>1,256,998</u>	<u>1,348,615</u>	<u>1,061,175</u>	<u>195,823</u>

City of West Branch

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,556,217. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of West Branch

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

As of and for the year ended June 30, 2007

	Employee Benefits	Tort Liability	Friends of the Library	West Branch Firefighters	Special Home Town Days
Receipts:					
Property tax	\$ 91,127	56,437	-	-	-
Other city tax	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	17,181	-
Miscellaneous	-	-	19,375	29,954	24,298
Total receipts	91,127	56,437	19,375	47,135	24,298
Disbursements:					
Operating:					
Public safety	32,258	29,794	-	45,283	-
Public works	25,347	12,148	-	-	-
Culture and recreation	18,917	9,405	4,052	-	-
Community and economic development	-	-	-	-	-
General government	11,059	13,848	-	-	15,941
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	87,581	65,195	4,052	45,283	15,941
Excess (deficiency) of receipts over (under) disbursements	3,546	(8,758)	15,323	1,852	8,357
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in cash balances	3,546	(8,758)	15,323	1,852	8,357
Cash balances beginning of year	53,073	18,324	37,833	11,118	-
Cash balances end of year	\$ 56,619	9,566	53,156	12,970	8,357
Cash Basis Fund Balances					
Reserved for debt service	\$ -	-	-	-	-
Unreserved:					
Special revenue funds	56,619	9,566	53,156	12,970	8,357
Capital projects fund	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ 56,619	9,566	53,156	12,970	8,357

See accompanying independent auditor's report.

Revenue						Permanent		Total
Trees and More	Emergency Tax	Local Option Sales Tax	Krouth/Enlow	Debt Service	Capital Projects	Krouth/Enlow Principal	Cemetery Perpetual Care	
-	2,044	-	-	127,123	-	-	-	276,731
-	-	527	-	-	-	-	-	527
-	-	-	3,799	-	-	1,856	1,303	6,958
-	-	-	-	-	-	-	-	17,181
3,660	-	-	-	-	-	-	-	77,287
3,660	2,044	527	3,799	127,123	-	1,856	1,303	378,684
-	-	-	-	-	-	-	-	107,335
-	-	-	-	-	-	-	-	37,495
-	-	-	-	-	-	-	-	32,374
1,570	-	-	-	-	-	-	-	1,570
-	-	-	-	-	-	-	-	40,848
-	-	-	-	125,550	-	-	-	125,550
-	-	264	-	-	133,104	-	-	133,368
1,570	-	264	-	125,550	133,104	-	-	478,540
2,090	2,044	263	3,799	1,573	(133,104)	1,856	1,303	(99,856)
-	-	-	-	-	135,000	-	267	135,267
-	-	-	(8,080)	-	-	-	-	(8,080)
-	-	-	(8,080)	-	135,000	-	267	127,187
2,090	2,044	263	(4,281)	1,573	1,896	1,856	1,570	27,331
(1,160)	9,831	-	44,826	1,354	-	94,214	88,043	357,456
930	11,875	263	40,545	2,927	1,896	96,070	89,613	384,787
-	-	-	-	2,927	-	-	-	2,927
930	11,875	263	40,545	-	-	-	-	194,281
-	-	-	-	-	1,896	-	-	1,896
-	-	-	-	-	-	96,070	89,613	185,683
930	11,875	263	40,545	2,927	1,896	96,070	89,613	384,787

City of West Branch
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water improvement	Jun 2, 2005	3.00%	\$ 1,740,000
Loan agreements:			
Sanitary sewer line replacement	May 13, 2002	4.65%	\$ 270,994
Fire pumper/Rescue truck	Aug 4, 2005	4.10	135,000
Maintenance building	Feb 14, 2007	5.35	174,400
RISE road project	Jun 15, 2007	4.30	250,000
Total			
Revenue bonds:			
Water	Jun 2, 2005	3.00%	\$ 860,000
Water	Jun 1, 2007	3.00	25,505
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,740,000	-	69,000	1,671,000	52,200
165,561	-	38,489	127,072	7,761
115,000	-	77,528	37,472	5,472
-	174,400	-	174,400	1,982
-	250,000	-	250,000	-
\$ 280,561	424,400	116,017	588,944	15,215
426,698	433,302	32,000	828,000	12,025
-	25,505	5,000	20,505	6,491
\$ 426,698	458,807	37,000	848,505	18,516

Schedule 3

City of West Branch

Bond Maturities

June 30, 2007

Year Ending June 30,	General Obligation Bonds		Water Revenue Bond	
	Water Improvement		Issued Jun 2, 2005	
	Interest Rates	Amount	Interest Rates	Amount
2008	3.00%	\$ 71,000	3.00%	\$ 33,000
2009	3.00	73,000	3.00	34,000
2010	3.00	76,000	3.00	35,000
2011	3.00	78,000	3.00	36,000
2012	3.00	80,000	3.00	37,000
2013	3.00	83,000	3.00	38,000
2014	3.00	85,000	3.00	39,000
2015	3.00	88,000	3.00	41,000
2016	3.00	90,000	3.00	42,000
2017	3.00	93,000	3.00	43,000
2018	3.00	96,000	3.00	44,000
2019	3.00	99,000	3.00	46,000
2020	3.00	102,000	3.00	47,000
2021	3.00	105,000	3.00	48,000
2022	3.00	108,000	3.00	50,000
2023	3.00	111,000	3.00	51,000
2024	3.00	115,000	3.00	53,000
2025	3.00	118,000	3.00	55,000
2026		-	3.00	56,000
Total		<u>\$1,671,000</u>		<u>\$ 828,000</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 Five Years

	2007	2006	2005	2004	2003
Receipts:					
Property tax	\$ 829,292	638,204	597,246	574,476	525,954
Tax increment financing	530,449	600,430	534,506	181,065	186,835
Other city tax	24,446	94,710	132,729	164,757	155,630
Licenses and permits	152,068	22,731	19,569	34,348	56,078
Use of money and property	57,214	36,688	13,843	13,089	42,428
Intergovernmental	315,187	297,628	294,124	307,252	770,726
Charges for service	51,555	48,531	56,434	45,332	47,244
Miscellaneous	180,807	241,825	301,381	96,091	60,327
Total	\$2,141,018	1,980,747	1,949,832	1,416,410	1,845,222
Disbursements:					
Operating:					
Public safety	\$ 450,128	761,810	340,295	438,184	316,924
Public works	947,954	311,379	348,924	342,145	402,599
Culture and recreation	268,101	216,177	199,374	224,135	198,601
Community and economic development	9,790	10,215	12,271	10,800	461,375
General government	193,989	157,507	162,454	165,493	276,432
Debt service	655,999	699,851	851,535	291,393	174,975
Capital projects	133,368	-	-	-	183,801
Total	\$2,659,329	2,156,939	1,914,853	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

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 29, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of West Branch's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of West Branch's financial statements that is more than inconsequential will not be prevented or detected by the City of West Branch's internal control.

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

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

Compliance and Other Matters

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, 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 that are described in the accompanying Schedule of Findings.

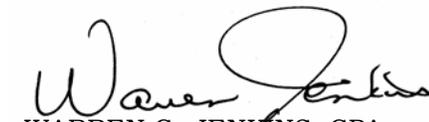
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of 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

October 29, 2007

City of West Branch

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of West Branch
 Schedule of Findings
 Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brian Brenna, Public Works employee	Miscellaneous installation and excavation	\$ 867
Mark Worrell, Mayor Pro-tem, Owner of Big Timber Excavating	Demolition, per bid	5,142

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Public Works employee does not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year. The transaction with the Mayor Pro-tem does not appear to represent a conflict of interest since it was entered into through competitive bidding.

- (5) 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.
- (6) Council Minutes – Although minutes of Council proceedings were published, various disbursements and transfers were made without Council approval in the minutes or prior to Council approval.

Recommendation – The City should ensure all transactions are properly approved and publish disbursements as required by Chapter 372.13(6) of the Code of Iowa.

Response – The City has implemented procedures for use regarding all transfers and will review and amend Resolution #688, which sets forth the items which may be paid prior to Council approval, to ensure all disbursements are noted and published in Council minutes.

Conclusion – Response accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2007

- (7) Deposits and Investments – Interest earned on road use tax funds were deposited into the Road Use Tax Fund.

Recommendation – The City should deposit interest earned on road use tax monies into the General Fund.

Response – The City has corrected this action for FY07 and implemented appropriate steps for FY08 road use tax interest deposits.

Conclusion – Response accepted.

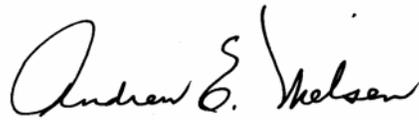
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

City of West Branch

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Carrie L. Livingston, CPA, Staff Auditor
Michael D. Eckard, Assistant 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