



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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

February 26, 2009

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 \$6,329,889 for the year ended June 30, 2008, a 77 percent increase over 2007. The receipts included \$826,021 in property tax, \$529,777 from tax increment financing, \$738,666 from charges for service, \$3,222,464 from operating grants, contributions and restricted interest, \$392,352 from capital grants, contributions and restricted interest, \$36,995 from local option sales tax, \$58,046 from unrestricted interest on investments, \$294,714 from bond and loan proceeds and \$220,854 from other general receipts.

Disbursements for the year totaled \$5,901,927, a 63 percent increase over the prior year, and included \$2,509,495 for community and economic development, \$1,189,970 for public works and \$654,723 for debt service. Also, disbursements for business type activities totaled \$501,930.

The increase in receipts and disbursements is due primarily to a \$2,500,000 CEBA loan from the Iowa Department of Economic Development passed-through to Acciona Windpower North America, LLC. 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, 2008**

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**City of West Branch**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
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
Kyle Soukup	Administrator	Indefinite
Deb Fiderlein	Clerk	Indefinite
Dawn Brandt	Deputy Clerk	Indefinite
Bruce Goddard	Attorney	Indefinite
<b>(After January 2008)</b>		
Sandra Hatfield	Mayor	Jan 2010
Mark Worrell	Mayor Pro tem	Jan 2012
Ken Peplow	Council Member	Jan 2010
Todd Stoolman	Council Member	Jan 2010
Tom Dean	Council Member	Jan 2012
David Johnson	Council Member	Jan 2012
Kyle Soukup	Administrator	Indefinite
Deb Fiderlein	Clerk	Indefinite
Dawn Brandt	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, 2008, 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.

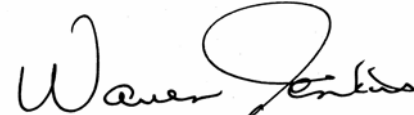
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch as of June 30, 2008, 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 February 2, 2009 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 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 five years ended June 30, 2007 (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

February 2, 2009



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 123%, or \$3,143,455, from fiscal 2007 to fiscal 2008. Operating grants, contributions and restricted interest increased \$2,837,652 and capital grants, contributions and restricted interest increased \$392,352 while loan proceeds decreased \$187,181 and charges for service decreased \$123,634.
- Disbursements of the City's governmental activities increased 103%, or \$2,740,668, in fiscal 2008 over fiscal 2007. Community and economic development disbursements increased \$2,499,705.
- The City's total cash basis net assets increased 32%, or \$427,962 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased \$299,983 and the assets of the business type activities increased \$127,979.

### 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.

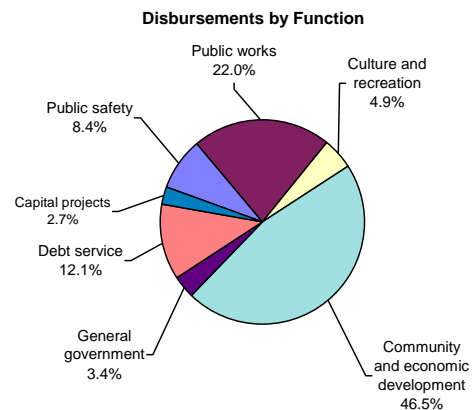
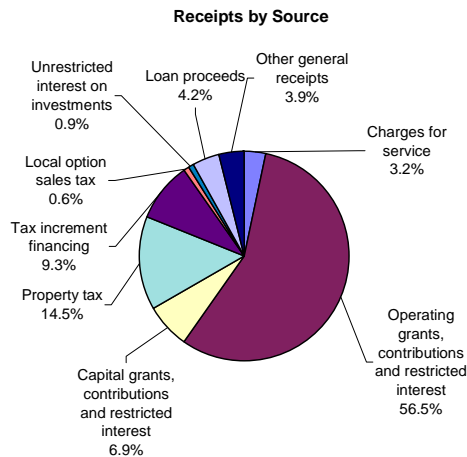
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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 increased \$299,983 from a year ago, from \$989,136 to \$1,289,119. 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,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service	\$ 181,506	305,140
Operating grants, contributions and restricted interest	3,232,464	394,812
Capital grants, contributions and restricted interest	392,352	-
General receipts:		
Property tax	826,021	829,292
Tax increment financing	529,777	530,449
Local option sales tax	36,995	527
Unrestricted interest on investments	51,941	52,980
Loan proceeds	237,219	424,400
Other general receipts	220,854	28,074
Total receipts	5,709,129	2,565,674
Disbursements:		
Public safety	450,250	450,128
Public works	1,189,970	947,954
Culture and recreation	266,101	268,101
Community and economic development	2,509,495	9,790
General government	183,185	193,989
Debt service	654,723	655,999
Capital projects	146,273	133,368
Total disbursements	5,399,997	2,659,329
Change in cash basis net assets before transfers	309,132	(93,655)
Transfers, net	(9,149)	60,000
Change in cash basis net assets	299,983	(33,655)
Cash basis net assets beginning of year	989,136	1,022,791
Cash basis net assets end of year	\$ 1,289,119	989,136



The City's total receipts for governmental activities increased 123%, or \$3,143,455. The total cost of all programs and services increased \$2,740,668, or 103%. The significant increase in receipts and disbursements was primarily due to the pass through loan from the Iowa Department of Economic Development to Acciona Windpower North America, LLC. (Acciona) for \$2,500,000. The remaining increase in receipts was primarily due to reimbursements from the Iowa Department of Transportation for the RISE road project of \$392,352. The remaining increase in disbursements was primarily due to increased public works disbursements of \$242,016 for the RISE road project.

The cost of all governmental activities this year was \$5,399,997, compared to \$2,659,329 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 \$1,593,675 because some of the cost was paid by those who directly benefited from the programs (\$181,506) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$3,624,816). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2008 from approximately \$2,566,000 to approximately \$5,709,000, principally due to the pass through loan from the Iowa Department of Economic Development to Acciona. The City paid for the remaining "public benefit" portion of governmental activities with \$1,355,798 in levied taxes, \$237,219 of loan proceeds and \$309,790 of other receipts, such as interest and miscellaneous receipts.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended	
	June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 352,046	341,080
Sewer	205,114	199,076
General receipts:		
Unrestricted interest on investments	6,105	6,573
Bond proceeds	57,495	457,557
Total receipts	<u>620,760</u>	<u>1,004,286</u>
Disbursements:		
Water	316,679	788,394
Sewer	185,251	180,709
Total disbursements	<u>501,930</u>	<u>969,103</u>
Change in cash basis net assets before transfers	118,830	35,183
Transfers, net	9,149	(60,000)
Change in cash basis net assets	127,979	(24,817)
Cash basis net assets beginning of year	333,988	358,805
Cash basis net assets end of year	<u>\$ 461,967</u>	<u>333,988</u>

Total business type activities receipts for the fiscal year were \$620,760 compared to \$1,004,286 last year. The decrease was due primarily to the receipt of bond proceeds in 2007 of \$457,557. The cash balance increased \$127,979 from the prior year. Total disbursements for the fiscal year decreased 48% to \$501,929, primarily due to the water main extension and water tower construction projects during fiscal 2007.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of West Branch completed the year, its governmental funds reported a combined cash balance of \$1,289,119, an increase of \$299,983 over last year’s total of \$989,136. The following are reasons for changes in cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$210,456 from the prior year to \$601,069. The increase was due, in part, to the decrease in public works disbursements due to completion of the water and sewer improvement project.
- The Special Revenue, Road Use Tax Fund cash balance increased \$97,658 to \$148,375. The increase was due to the timing of reimbursements from the Iowa Department of Transportation and disbursements for the RISE road project.
- The Special Revenue, Economic Development Fund cash balance remained constant at \$138,935 during fiscal 2008. During the year, the City received a Community Economic Betterment Account (CEBA) loan of \$2,500,000 from the Iowa Department of Economic Development (IDED) that was passed through to Acciona.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$361 during fiscal 2008. Receipts of \$529,416 were rebated to Proctor and Gamble during fiscal 2008.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$104,090 to \$245,674. During the year, the City received \$57,495 of bond proceeds for the water improvement project.
- The Sewer Fund cash balance increased \$23,889 to \$216,293 due, in part, to a decrease in transfers out required to fund debt agreements.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget three times. The first amendment was approved on August 6, 2007 to provide for additional receipts and disbursements for a water tower project and the receipt of RISE road funds. The second amendment was approved on October 15, 2007 to provide for the receipt and disbursement of funds passed through the City from the Iowa Department of Economic Development. The third amendment was passed on May 5, 2008 to provide for increases in contributions and various disbursements.

The City’s receipts were \$3,414,258 more than budgeted. This was primarily due to the City budgeting the receipt of IDED funds as other financing sources and recording the receipts as intergovernmental.

Total disbursements were \$713,195 less than the amended budget. This was primarily due to public works projects and capital projects not being started as anticipated prior to June 30, 2008. Construction will continue during fiscal 2009.

**DEBT ADMINISTRATION**

At June 30, 2008, the City had \$3,191,277 in bonds and other long-term debt outstanding, compared to \$3,108,449 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2008	2007
General obligation bonds	\$ 1,600,000	1,671,000
Loan agreements	721,277	588,944
Revenue bonds	870,000	848,505
Total	\$ 3,191,277	3,108,449

Debt increased as a result of issuing loan agreements and revenue bonds for the water main extension, renovation of City Hall 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 \$3,001,277 is below its constitutional debt limit of \$4.3 million.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Numerous issues were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$2,925,255, a decrease of 54% 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 \$3,487,846. The decrease in receipts and disbursements is primarily due to the receipt and disbursement of CEBA loan funds in fiscal year 2008.

If these estimates are realized, the City's budgeted cash balance is expected to remain relatively unchanged by the close of 2009.

### **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, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 450,250	58,227	198,582	-
Public works	1,189,970	39,715	400,398	392,352
Culture and recreation	266,101	25,388	133,484	-
Community and economic development	2,509,495	-	2,500,000	-
General government	183,185	58,176	-	-
Debt service	654,723	-	-	-
Capital projects	146,273	-	-	-
Total governmental activities	5,399,997	181,506	3,232,464	392,352
Business type activities:				
Water	316,679	352,046	-	-
Sewer	185,251	205,114	-	-
Total business type activities	501,930	557,160	-	-
Total	\$ 5,901,927	738,666	3,232,464	392,352
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
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				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Economic development				
Urban renewal purposes				
Debt service				
Permanent fund purposes				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.



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

Governmental Activities	Business Type Activities	Total
(193,441)	-	(193,441)
(357,505)	-	(357,505)
(107,229)	-	(107,229)
(9,495)	-	(9,495)
(125,009)	-	(125,009)
(654,723)	-	(654,723)
(146,273)	-	(146,273)
(1,593,675)	-	(1,593,675)
-	35,367	35,367
-	19,863	19,863
-	55,230	55,230
(1,593,675)	55,230	(1,538,445)
826,021	-	826,021
529,777	-	529,777
36,995	-	36,995
51,941	6,105	58,046
237,219	57,495	294,714
250	-	250
220,604	-	220,604
(9,149)	9,149	-
1,893,658	72,749	1,966,407
299,983	127,979	427,962
989,136	333,988	1,323,124
\$ 1,289,119	461,967	1,751,086
\$ 148,375	-	148,375
138,935	-	138,935
24,445	-	24,445
9,280	34,429	43,709
159,868	-	159,868
207,950	-	207,950
600,266	427,538	1,027,804
\$ 1,289,119	461,967	1,751,086

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, 2008

	Special Revenue		
	General	Road Use Tax	Economic Development
<b>Receipts:</b>			
Property tax	\$ 568,766	-	-
Tax increment financing	-	-	-
Other city tax	20,276	-	-
Licenses and permits	37,783	-	-
Use of money and property	48,580	-	-
Intergovernmental	555,416	385,685	2,500,000
Charges for service	54,345	-	-
Miscellaneous	389,298	-	-
Total receipts	<u>1,674,464</u>	<u>385,685</u>	<u>2,500,000</u>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	343,541	-	-
Public works	144,325	1,006,336	-
Culture and recreation	205,082	-	-
Community and economic development	8,220	-	2,500,000
General government	158,932	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>860,100</u>	<u>1,006,336</u>	<u>2,500,000</u>
Excess (deficiency) of receipts over (under) disbursements	<u>814,364</u>	<u>(620,651)</u>	<u>-</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	250	-	-
Loan proceeds	100,000	-	-
Operating transfers in	30,000	718,309	-
Operating transfers out	(734,158)	-	-
Total other financing sources (uses)	<u>(603,908)</u>	<u>718,309</u>	<u>-</u>
Net change in cash balances	210,456	97,658	-
Cash balances beginning of year	390,613	50,717	138,935
Cash balances end of year	<u>\$ 601,069</u>	<u>148,375</u>	<u>138,935</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
<b>Unreserved:</b>			
General fund	601,069	-	-
Special revenue funds	-	148,375	138,935
Capital projects fund	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	<u>\$ 601,069</u>	<u>148,375</u>	<u>138,935</u>

See notes to financial statements.

Urban Renewal Tax Increment	Nonmajor	Total
-	257,255	826,021
529,777	-	529,777
-	36,995	57,271
-	-	37,783
-	7,870	56,450
-	27,012	3,468,113
-	-	54,345
-	52,602	441,900
529,777	381,734	5,471,660
-	106,709	450,250
-	39,309	1,189,970
-	61,019	266,101
-	1,275	2,509,495
-	24,253	183,185
529,416	125,307	654,723
-	146,273	146,273
529,416	504,145	5,399,997
361	(122,411)	71,663
-	-	250
-	137,219	237,219
-	6,700	755,009
-	(30,000)	(764,158)
-	113,919	228,320
361	(8,492)	299,983
24,084	384,787	989,136
24,445	376,295	1,289,119
-	9,280	9,280
-	-	601,069
24,445	207,805	519,560
-	(658)	(658)
-	159,868	159,868
24,445	376,295	1,289,119

**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, 2008

	Enterprise		
	Water	Sewer	Total
Charges for service	\$ 344,163	205,114	549,277
Miscellaneous	7,883	-	7,883
Total operating receipts	352,046	205,114	557,160
Operating disbursements:			
Business type activities	205,517	139,001	344,518
Excess of operating receipts over operating disbursements	146,529	66,113	212,642
Non-operating receipts (disbursements):			
Interest on investments	3,398	2,707	6,105
Revenue bond proceeds	57,495	-	57,495
Debt service	(64,894)	(46,250)	(111,144)
Capital projects	(46,268)	-	(46,268)
Total non-operating receipts (disbursements)	(50,269)	(43,543)	(93,812)
Excess of receipts over disbursements	96,260	22,570	118,830
Operating transfers in	7,830	1,319	9,149
Net change in cash balances	104,090	23,889	127,979
Cash balances beginning of year	141,584	192,404	333,988
Cash balances end of year	\$ 245,674	216,293	461,967
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 34,429	-	34,429
Unreserved	211,245	216,293	427,538
Total cash basis fund balances	\$ 245,674	216,293	461,967

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2008

**(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 tax increment financing proceeds and principal and interest on debt incurred for urban renewal projects.

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, 2008, disbursements did not exceed the amounts budgeted.



**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 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		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 73,000	48,000	37,000	26,100	110,000	74,100
2010	76,000	45,810	38,000	14,990	114,000	60,800
2011	78,000	43,530	39,000	23,850	117,000	67,380
2012	80,000	41,190	41,000	22,680	121,000	63,870
2013	83,000	38,590	42,000	21,450	125,000	60,040
2014-2018	452,000	155,190	229,000	88,570	681,000	243,760
2019-2023	525,000	83,100	265,000	51,180	790,000	134,280
2024-2026	233,000	10,530	179,000	10,830	412,000	21,360
Total	\$ 1,600,000	465,940	870,000	259,650	2,470,000	725,590

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 April 5, 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.

At June 30, 2008, the City had drawn \$1,740,000 of the general obligation water improvement bonds, \$860,000 of the 2005 water revenue bond and \$83,000 of the 2007 water revenue bond, including initiation fees of \$17,400, \$8,600 and \$1,250, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$985,000 of water revenue bonds issued in June 2005 and April 2007. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 45 percent of net receipts. The total principal and interest remaining to be paid on the two bond issues is \$1,129,650. For the current year, total principal and interest paid on the June 2005 and April 2007 bonds was \$62,629 and total customer net receipts were \$146,529.

The resolutions providing for the issuance of the water revenue bonds issued under loan agreements 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 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 City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$270,994 sanitary sewer line replacement loan agreement. The loan is payable solely from sewer customer net receipts and is payable through 2010. Annual principal and interest payments on the loan are expected to require less than 70 percent of net receipts. The total principal and interest remaining to be paid on the loan is \$93,022. For the current year, principal and interest paid and total customer net receipts were \$46,250 and \$66,113, respectively.

Sanitary Sewer Replacement Line Loan				
Year	Interest	Principal	Interest	Total
Ending	Rate			
June 30,				
2009	4.65%	\$ 42,157	4,093	46,250
2010	4.65	44,667	2,105	46,772
Total		\$ 86,824	6,198	93,022

On August 4, 2005, the City entered into a loan agreement with a local bank, not to exceed \$135,000, with 4.10% per annum interest. The funds were used to finance the purchase of a Fire Pumper/Rescue Truck. 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
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	18,831	1,005	19,836
Total		\$ 147,234	27,352	174,586

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
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

On September 18, 2007, the City entered into a loan agreement with a local bank, not to exceed \$100,000. These funds were used to pay costs associated with the 2007 RISE road project. The loan bears 4.30% per annum interest and matures on November 15, 2010. Annual debt service requirements are as follows:

2007 Rise Road Project Loan				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2009	4.30%	\$ 31,462	5,064	36,526
2010	4.30	33,538	2,988	36,526
2011	4.30	35,000	1,526	36,526
Total		\$ 100,000	9,578	109,578

On February 1, 2008, the City entered into a loan agreement with a local bank, not to exceed \$150,000. These funds were used to finance the renovation and furnishing of the new city offices. The loan bears 4.20% per annum interest and matures on July 1, 2018. Annual debt service requirements are as follows:

City Office Loan				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2009	4.20%	\$ 12,879	5,801	18,680
2010	4.20	13,419	5,261	18,680
2011	4.20	13,982	4,698	18,680
2012	4.20	14,570	4,110	18,680
2013	4.20	15,181	3,499	18,680
2014	4.20	15,819	2,861	18,680
2015	4.20	16,483	2,197	18,680
2016	4.20	17,176	1,504	18,680
2017	4.20	17,710	783	18,493
Total		\$ 137,219	30,714	167,933

**(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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$31,825, \$30,868 and \$28,150, 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, 2008.

The City's approximate liability for earned vacation hours payable to employees at June 30, 2008, primarily relating to the General Fund, was \$45,900. This liability has been computed based on rates of pay in effect at June 30, 2008.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Permanent: Krouth/Enlow Principal	\$ 30,000
Special Revenue:		
Road Use Tax	General	718,309
Trees and More	General	200
Capital Projects	General	6,500
Water	General	7,830
Sewer	General	1,319
Total		<u>\$ 764,158</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 Agreements**

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

On June 17, 2007 the City entered into a tax increment development agreement with Acciona Windpower North America, LLC. (Acciona). Under the terms of the agreement Acciona will cause minimum improvements to be completed within a five-year period beginning May 2007. The agreement outlines the minimum improvements which include a capital investment of \$11 million and the creation of approximately 110 new, full-time jobs. The City agreed to rebate to Acciona, for a period of eight years, that percentage of incremental property tax actually paid with respect to the minimum improvements received under Iowa Code Section 403.19. The rebate percentages for Acciona, as set forth in the agreement are as follows:

**Acciona Windpower North America  
2007**

Year 1	60%
Year 2	65%
Year 3	70%
Year 4	75%
Year 5	80%
Year 6	85%
Year 7	90%
Year 8	92%

During the year ended June 30, 2007, \$529,416 of rebates were made to P & G. The total rebates made through the first three years of this agreement total \$1,978,233.

**(10) Community Economic Betterment Account (CEBA) Loan**

On October 16, 2007, the City received \$2,500,000 from the Iowa Department of Economic Development (Department) to promote and assist economic growth through the development and expansion of the municipal and county tax base. In accordance with the agreement, the City loaned \$2,500,000 to a qualified business. The loan consists of a \$500,000 forgivable loan and a \$2,000,000 interest-free conventional loan. Repayment of the conventional loan is to be made in one payment thirty months from the date funds were disbursed. Terms of the forgivable loan are based on the creation and retention of jobs by the qualified business. Repayment on the loan is to be made directly to the Department from the qualified business. Therefore, the liability for this loan is not included in the Schedule of Indebtedness (Schedule 2). The outstanding loan balance at June 30, 2007 was \$2,000,000.

**(11) Construction Contracts**

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 with change orders totaling \$898,088. At June 30, 2008, \$818,544 had been paid. The unpaid contract balance totaled \$79,594 and will be paid as work on the project is completed.

On February 24, 2008, the City entered into a construction contract totaling \$310,973 for interchange improvements. At June 30, 2008, \$161,214 had been paid for work completed. The unpaid contract balance totaled \$149,759 and will be paid as work on the project is completed.

**(12) Litigation and Subsequent Event**

The City was a defendant in a lawsuit. This lawsuit was settled for \$197,500 in July 2008.

On August 4, 2008 the City entered into a loan agreement not to exceed \$200,000 to pay for the lawsuit settlement.

**City of West Branch**



**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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 826,021	-	-
Tax increment financing	529,777	-	-
Other city tax	57,271	-	-
Licenses and permits	37,783	-	-
Use of money and property	56,450	6,105	-
Intergovernmental	3,468,113	-	27,012
Charges for service	54,345	549,277	-
Miscellaneous	441,900	7,883	22,619
Total receipts	5,471,660	563,265	49,631
Disbursements:			
Public safety	450,250	-	42,788
Public works	1,189,970	-	-
Culture and recreation	266,101	-	11,575
Community and economic development	2,509,495	-	-
General government	183,185	-	-
Debt service	654,723	-	-
Capital projects	146,273	-	-
Business type activities	-	501,930	-
Total disbursements	5,399,997	501,930	54,363
Excess (deficiency) of receipts over (under) disbursements	71,663	61,335	(4,732)
Other financing sources, net	228,320	66,644	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	299,983	127,979	(4,732)
Balances beginning of year	989,136	333,988	66,126
Balances end of year	\$ 1,289,119	461,967	61,394

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
826,021	793,661	793,661	32,360
529,777	545,000	545,000	(15,223)
57,271	15,453	15,453	41,818
37,783	22,500	22,500	15,283
62,555	36,650	48,819	13,736
3,441,101	313,888	445,690	2,995,411
603,622	591,826	591,826	11,796
427,164	105,992	108,087	319,077
<u>5,985,294</u>	<u>2,424,970</u>	<u>2,571,036</u>	<u>3,414,258</u>
407,462	424,391	486,270	78,808
1,189,970	364,195	1,522,495	332,525
254,526	271,413	296,649	42,123
2,509,495	10,705	2,649,640	140,145
183,185	163,464	197,264	14,079
654,723	674,614	674,614	19,891
146,273	-	150,000	3,727
501,930	525,827	583,827	81,897
<u>5,847,564</u>	<u>2,434,609</u>	<u>6,560,759</u>	<u>713,195</u>
137,730	(9,639)	(3,989,723)	4,127,453
<u>294,964</u>	<u>-</u>	<u>3,723,000</u>	<u>(3,428,036)</u>
432,694	(9,639)	(266,723)	699,417
<u>1,256,998</u>	<u>1,316,390</u>	<u>1,316,390</u>	<u>(59,392)</u>
<u>1,689,692</u>	<u>1,306,751</u>	<u>1,049,667</u>	<u>640,025</u>

City of West Branch

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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, three budget amendments increased budgeted disbursements by \$4,126,150. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, 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, 2008

	Employee Benefits	Tort Liability	Friends of the Library	West Branch Firefighters	Special Home Town Days
Receipts:					
Property tax	\$ 58,778	64,714	-	-	-
Other city tax	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	27,012	-
Miscellaneous	-	-	10,420	12,199	29,983
Total receipts	58,778	64,714	10,420	39,211	29,983
Disbursements:					
Operating:					
Public safety	33,072	30,849	-	42,788	-
Public works	26,990	12,319	-	-	-
Culture and recreation	20,716	6,319	11,575	-	22,409
Community and economic development	-	-	-	-	-
General government	14,607	9,646	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	95,385	59,133	11,575	42,788	22,409
Excess (deficiency) of receipts over (under) disbursements	(36,607)	5,581	(1,155)	(3,577)	7,574
Other financing sources (uses):					
Loan proceeds	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in cash balances	(36,607)	5,581	(1,155)	(3,577)	7,574
Cash balances beginning of year	56,619	9,566	53,156	12,970	8,357
Cash balances end of year	\$ 20,012	15,147	52,001	9,393	15,931
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ -	-	-	-	-
Unreserved:					
Special revenue funds	20,012	15,147	52,001	9,393	15,931
Capital projects fund	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ 20,012	15,147	52,001	9,393	15,931

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	
-	2,103	-	-	131,660	-	-	-	257,255
-	-	36,995	-	-	-	-	-	36,995
-	-	-	3,685	-	-	2,049	2,136	7,870
-	-	-	-	-	-	-	-	27,012
-	-	-	-	-	-	-	-	52,602
-	2,103	36,995	3,685	131,660	-	2,049	2,136	381,734
-	-	-	-	-	-	-	-	106,709
-	-	-	-	-	-	-	-	39,309
-	-	-	-	-	-	-	-	61,019
1,275	-	-	-	-	-	-	-	1,275
-	-	-	-	-	-	-	-	24,253
-	-	-	-	125,307	-	-	-	125,307
-	-	-	-	-	146,273	-	-	146,273
1,275	-	-	-	125,307	146,273	-	-	504,145
(1,275)	2,103	36,995	3,685	6,353	(146,273)	2,049	2,136	(122,411)
-	-	-	-	-	137,219	-	-	137,219
200	-	-	-	-	6,500	-	-	6,700
-	-	-	-	-	-	(30,000)	-	(30,000)
200	-	-	-	-	143,719	(30,000)	-	113,919
(1,075)	2,103	36,995	3,685	6,353	(2,554)	(27,951)	2,136	(8,492)
930	11,875	263	40,545	2,927	1,896	96,070	89,613	384,787
(145)	13,978	37,258	44,230	9,280	(658)	68,119	91,749	376,295
-	-	-	-	9,280	-	-	-	9,280
(145)	13,978	37,258	44,230	-	-	-	-	207,805
-	-	-	-	-	(658)	-	-	(658)
-	-	-	-	-	-	68,119	91,749	159,868
(145)	13,978	37,258	44,230	9,280	(658)	68,119	91,749	376,295

City of West Branch  
Schedule of Indebtedness  
Year ended June 30, 2008

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
2007 Rise road project	Sep 18, 2007	4.30	100,000
City office	Feb 1, 2008	4.20	150,000
Total			
Revenue bonds:			
Water	Jun 2, 2005	3.00%	\$ 860,000
Water	Apr 5, 2007	3.00	125,000
Total			

See accompanying independent auditor's report.



Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,671,000	-	71,000	1,600,000	50,130
127,072	-	40,248	86,824	6,002
37,472	-	37,472	-	1,483
174,400	-	27,166	147,234	3,784
250,000	-	-	250,000	-
-	100,000	-	100,000	-
-	137,219	-	137,219	-
<b>\$ 588,944</b>	<b>237,219</b>	<b>104,886</b>	<b>721,277</b>	<b>11,269</b>
828,000	-	33,000	795,000	24,744
20,505	57,495	3,000	75,000	1,885
<b>\$ 848,505</b>	<b>57,495</b>	<b>36,000</b>	<b>870,000</b>	<b>26,629</b>

**Schedule 3**

## City of West Branch

## Bond Maturities

June 30, 2008

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Water Revenue Bond</u>		<u>Water Revenue Bond</u>	
	<u>Water Improvement</u>		<u>Issued Jun 2, 2005</u>		<u>Issued Apr 5, 2007</u>	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2009	3.00%	\$ 73,000	3.00%	\$ 34,000	3.00%	\$ 3,000
2010	3.00	76,000	3.00	35,000	3.00	3,000
2011	3.00	78,000	3.00	36,000	3.00	3,000
2012	3.00	80,000	3.00	37,000	3.00	4,000
2013	3.00	83,000	3.00	38,000	3.00	4,000
2014	3.00	85,000	3.00	39,000	3.00	4,000
2015	3.00	88,000	3.00	41,000	3.00	4,000
2016	3.00	90,000	3.00	42,000	3.00	4,000
2017	3.00	93,000	3.00	43,000	3.00	4,000
2018	3.00	96,000	3.00	44,000	3.00	4,000
2019	3.00	99,000	3.00	46,000	3.00	4,000
2020	3.00	102,000	3.00	47,000	3.00	4,000
2021	3.00	105,000	3.00	48,000	3.00	5,000
2022	3.00	108,000	3.00	50,000	3.00	5,000
2023	3.00	111,000	3.00	51,000	3.00	5,000
2024	3.00	115,000	3.00	53,000	3.00	5,000
2025	3.00	118,000	3.00	55,000	3.00	5,000
2026		-	3.00	56,000	3.00	5,000
Total		<u>\$ 1,600,000</u>		<u>\$ 795,000</u>		<u>\$ 75,000</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 Six Years

	2008	2007	2006	2005	2004	2003
<b>Receipts:</b>						
Property tax	\$ 826,020	829,292	638,204	597,246	574,476	525,954
Tax increment financing	529,777	530,449	600,430	534,506	181,065	186,835
Other city tax	57,272	24,446	94,710	132,729	164,757	155,630
Licenses and permits	37,783	152,068	22,731	19,569	34,348	56,078
Use of money and property	56,450	57,214	36,688	13,843	13,089	42,428
Intergovernmental	3,468,113	315,187	297,628	294,124	307,252	770,726
Charges for service	54,345	51,555	48,531	56,434	45,332	47,244
Miscellaneous	441,900	180,807	241,825	301,381	96,091	60,327
<b>Total</b>	<b>\$5,471,660</b>	<b>2,141,018</b>	<b>1,980,747</b>	<b>1,949,832</b>	<b>1,416,410</b>	<b>1,845,222</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	\$ 450,250	450,128	761,810	340,295	438,184	316,924
Public works	1,189,970	947,954	311,379	348,924	342,145	402,599
Culture and recreation	266,101	268,101	216,177	199,374	224,135	198,601
Community and economic development	2,509,495	9,790	10,215	12,271	10,800	461,375
General government	183,185	193,989	157,507	162,454	165,493	276,432
Debt service	654,723	655,999	699,851	851,535	291,393	174,975
Capital projects	146,273	133,368	-	-	-	183,801
<b>Total</b>	<b>\$5,399,997</b>	<b>2,659,329</b>	<b>2,156,939</b>	<b>1,914,853</b>	<b>1,472,150</b>	<b>2,014,707</b>

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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 2, 2009. 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.

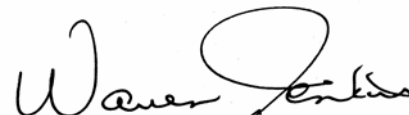
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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 response to findings identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's response, we did not audit the City of West Branch's response and, accordingly, we express no opinion on it.

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

February 2, 2009

City of West Branch  
Schedule of Findings  
Year ended June 30, 2008

**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, 2008

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 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	\$ 736
Mark Worrell, Mayor Pro-tem, Owner of Big Timber Excavating	Demolition, per bid	822

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since the total transactions with each individual were less than \$1,500 during the fiscal year.

- (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 – No transactions were found that we believe should have been approved in the minutes but were not.
- (7) 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.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.



City of West Branch

Schedule of Findings

Year ended June 30, 2008

- (9) Financial Condition – The Special Revenue, Trees and More Fund and the Capital Projects Fund had deficit balances at June 30, 2008 of \$145 and \$658, respectively.

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

Response – The City Council transferred funds on September 2, 2008, to cover the deficit balance in the Special Revenue, Trees and More Fund. Because a capital project loan did not close until after June 30, 2008, a final loan draw of \$932 was deposited into the Capital Projects Fund on July 12, 2008, covering this fund's deficit. Both funds are now positive.

Conclusion – Response accepted.

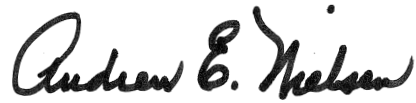
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City of West Branch

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Carrie L. Livingston, CPA, Staff Auditor  
Kristin M. Ockenfels, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State