



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

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE December 6, 2003

Contact: Andy Nielsen
515/281-5515

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

Vaudt reported that the City's receipts totaled \$2,249,196 for the year ended June 30, 2003, a 27 percent increase from 2002. The receipts included \$525,954 in property tax, \$429,518 in charges for service, \$206,885 from the state, \$452,457 from the federal government, \$104,297 in local option sales tax and \$186,835 in tax increment financing collections.

Disbursements for the year totaled \$2,492,076, a 39 percent increase from the prior year, and included \$477,369 for business type activities, \$461,375 for community and economic development and \$402,599 for public works.

The increase in receipts and disbursements resulted primarily from the receipt and disbursement of a federal grant for economic development.

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

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CITY OF WEST BRANCH
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

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City of West Branch

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Quinlan	Mayor	Jan 2006
Sandra Hatfield	Mayor Pro tem	Jan 2006
Tom Dean	Council Member	Resigned
Tom Hildreth	Council Member	Jan 2004
Mark Worrell	Council Member	Jan 2004
Bob Caldwell	Council Member	Jan 2006
Don Kessler (Appointed)	Council Member	Nov 2003
Ty Doermann	Administrator/Clerk	Indefinite
Marilyn Lacina	Treasurer	Indefinite
Bruce Goddard	Attorney	Indefinite

City of West Branch



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of West Branch, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of West Branch's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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.

As discussed in note 12, the City of West Branch intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

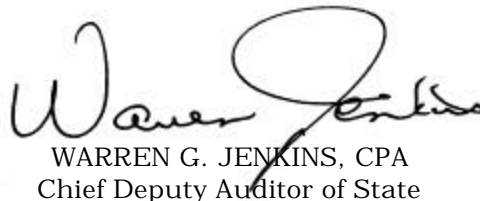
In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of West Branch as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated September 10, 2003 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 grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 10, 2003

City of West Branch

City of West Branch
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2003

	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
Receipts:		
Property tax	\$ 409,652	116,302
Tax increment financing collections	-	186,835
Other city tax	44,531	111,099
Licenses and permits	56,078	-
Use of money and property	34,568	61
Intergovernmental	127,203	643,523
Charges for service	47,244	-
Miscellaneous	30,636	18,516
Total receipts	<u>749,912</u>	<u>1,076,336</u>
Disbursements:		
Public safety	227,036	89,888
Public works	123,095	279,504
Culture and recreation	174,447	24,154
Community and economic development	10,539	450,836
General government	150,313	126,119
Debt service	-	174,975
Capital projects	-	-
Business type activities	-	-
Total disbursements	<u>685,430</u>	<u>1,145,476</u>
Excess (deficiency) of receipts over (under) disbursements	<u>64,482</u>	<u>(69,140)</u>
Other financing sources (uses):		
Bank loan proceeds	63,611	-
Operating transfers in	16,027	-
Operating transfers out	(177,951)	-
Total other financing sources (uses)	<u>(98,313)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(33,831)	(69,140)
Balance beginning of year	<u>441,250</u>	<u>378,064</u>
Balance end of year	<u>\$ 407,419</u>	<u>308,924</u>

See notes to financial statements.

Fund Types		Proprietary	Fiduciary	Total
Debt	Capital	Fund Type	Fund Type	(Memorandum
Service	Projects	Enterprise	Trust	Only)
-	-	-	-	525,954
-	-	-	-	186,835
-	-	-	-	155,630
-	-	-	-	56,078
-	1,656	1,615	6,143	44,043
-	-	-	-	770,726
-	-	382,274	-	429,518
-	4,194	20,085	6,981	80,412
-	5,850	403,974	13,124	2,249,196
-	-	-	-	316,924
-	-	-	-	402,599
-	-	-	-	198,601
-	-	-	-	461,375
-	-	-	-	276,432
-	-	-	-	174,975
-	183,801	-	-	183,801
-	-	477,369	-	477,369
-	183,801	477,369	-	2,492,076
-	(177,951)	(73,395)	13,124	(242,880)
-	-	82,483	-	146,094
-	177,951	-	-	193,978
-	-	-	(16,027)	(193,978)
-	177,951	82,483	(16,027)	146,094
-	-	9,088	(2,903)	(96,786)
1,354	-	343,676	216,581	1,380,925
1,354	-	352,764	213,678	1,284,139

City of West Branch

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2003

	Actual	Less Funds Not Required to be Budgeted
Receipts:		
Property tax	\$ 525,954	-
Tax increment financing collections	186,835	-
Other city tax	155,630	-
Licenses and permits	56,078	-
Use of money and property	44,043	77
Intergovernmental	770,726	14,805
Charges for service	429,518	-
Miscellaneous	80,412	20,436
Total receipts	<u>2,249,196</u>	<u>35,318</u>
Disbursements:		
Public safety	316,924	37,543
Public works	402,599	-
Culture and recreation	198,601	-
Community and economic development	461,375	-
General government	276,432	-
Debt service	174,975	-
Capital projects	183,801	-
Business type activities	477,369	-
Total disbursements	<u>2,492,076</u>	<u>37,543</u>
Excess (deficiency) of receipts over (under) disbursements	(242,880)	(2,225)
Other financing sources, net	<u>146,094</u>	<u>(16)</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(96,786)	(2,241)
Balance beginning of year	<u>1,380,925</u>	<u>183,949</u>
Balance end of year	<u>\$ 1,284,139</u>	<u>181,708</u>

See notes to financial statements.

Net	Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
525,954	532,740	(6,786)	99%
186,835	178,059	8,776	105%
155,630	95,246	60,384	163%
56,078	3,500	52,578	1602%
43,966	30,450	13,516	144%
755,921	290,351	465,570	260%
429,518	521,240	(91,722)	82%
59,976	90,681	(30,705)	66%
<u>2,213,878</u>	<u>1,742,267</u>	<u>471,611</u>	<u>127%</u>
279,381	343,421	64,040	81%
402,599	425,577	22,978	95%
198,601	216,299	17,698	92%
461,375	464,697	3,322	99%
276,432	240,073	(36,359)	115%
174,975	178,059	3,084	98%
183,801	176,000	(7,801)	104%
477,369	559,894	82,525	85%
<u>2,454,533</u>	<u>2,604,020</u>	<u>149,487</u>	<u>94%</u>
(240,655)	(861,753)		
<u>146,110</u>	<u>485,586</u>		
(94,545)	(376,167)		
<u>1,196,976</u>	<u>1,207,816</u>		
<u><u>1,102,431</u></u>	<u><u>831,649</u></u>		

City of West Branch
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	Dec 1, 1996	4.25-4.70%	\$ 645,000
Urban renewal tax increment revenue capital loan notes			
	Dec 1, 1996	6.30-6.75%	\$ 310,000
Loan agreements:			
Water	Nov 20, 1996	4.95-5.10%	\$ 126,400
Sewer	Nov 20, 1996	4.95-5.10	184,000
Street and infrastructure	Aug 5, 1997	4.75	234,187
Sanitary sewer line replacement	May 13, 2002	4.65	340,000
Warning sirens	Jul 18, 2002	3.25	30,000
Fire truck	April 23, 2003	3.00	35,000
Lease purchase agreement:			
Snow removal equipment	Feb. 13, 2001	5.34%	\$ 146,000

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
335,000	-	105,000	230,000	15,425
210,000	-	40,000	170,000	13,950
31,400	-	31,400	-	1,649
49,000	-	49,000	-	2,398
20,580	-	20,580	-	957
188,511	82,483	-	270,994	-
-	28,611	-	28,611	-
-	35,000	-	35,000	-
\$ 289,491	146,094	100,980	334,605	5,004
146,000	-	90,121	55,879	9,879

City of West Branch

Notes to Financial Statements

June 30, 2003

(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, culture and recreation, community and economic development, general government and business type activities.

A. Reporting Entity

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

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

Blended Component Unit

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

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

Jointly Governed Organizations

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

Cedar County Joint E911 Service Board and Cedar County Emergency Management Agency.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

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

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

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

Proprietary Funds

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Fiduciary Funds

Trust Funds - The Trust Funds are used to account for monies and properties received and held by the City in a trustee capacity. These include Expendable Trust Funds and Non-expendable Trust Funds.

C. 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.

D. Budgets and Budgetary Accounting

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 Non-expendable Trust Funds and the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 110,000	10,700	40,000	11,350	150,000	22,050
2005	120,000	5,640	45,000	8,730	165,000	14,370
2006	-	-	85,000	5,738	85,000	5,738
Total	\$ 230,000	16,340	170,000	25,818	400,000	42,158

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

(4) Loan Agreements

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

Year Ending June 30,	Interest Rates	Principal	Interest
2004	4.65%	\$ 33,698	12,552
2005	4.65	35,062	11,188
2006	4.65	36,716	9,534
2007	4.65	38,446	7,804
2008	4.65	40,259	5,991
2009	4.65	42,157	4,093
2010	4.65	44,656	2,105
Total		<u>\$ 270,994</u>	<u>53,267</u>

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

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

(5) Lease purchase agreement

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

Year Ending June 30,	Amount
2004	\$ 30,198
2005	<u>30,199</u>
Total minimum lease payments	60,397
Less amount representing interest	<u>(4,518)</u>
Present value of net minimum lease payments	<u>\$ 55,879</u>

Principal payments of \$90,121 and interest payments of \$9,879 were made on this lease during the year ended June 30, 2003.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$23,248, \$23,082, and \$21,690, respectively, equal to the required contributions for each year.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused compensatory and vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

Employees eligible for retirement will receive one-half of their accumulated sick leave balance. However, the employees must have earned the maximum days allowable before sick leave benefits under this plan are effective. No employees were eligible for sick leave benefits at June 30, 2003.

The City's approximate liability for earned compensatory and vacation hours payable to employees at June 30, 2003, primarily relating to the General Fund, was \$27,000. This liability has been computed based on rates of pay in effect at June 30, 2003.

(8) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2003, disbursements in the general government and capital project functions exceeded the amounts budgeted after the budget was amended.

(9) Risk Management

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

(10) Community Development Block Grant (CDBG)

The Iowa Department of Economic Development (DED) and the City of West Branch entered into a grant agreement on November 21, 2001 for \$460,000 as part of DED's CDBG program. The City subsequently entered into a loan agreement with Plastic Products Company, Inc. The loan agreement has two components: (1) a \$225,000 direct loan and (2) a \$225,000 forgivable loan. The City received the funds from DED on August 22, 2002 and then loaned \$450,000 to the business.

The direct loan is to be amortized over a five year period, with semiannual payments of \$22,500 interest free. The first payment was due February 23, 2003 and was paid to East Central Intergovernmental Association (ECIA), the grant administrator.

At the project completion date of November 30, 2003, if the business has fulfilled the low/moderate performance standard, \$1,500 will be forgiven for each new full time equivalent job created and maintained for at least 365 days past the contract end date.

Currently, ECIA is holding the funds for the City. The City is in the process of establishing policies and procedures for a revolving loan fund.

(11) Subsequent Event

In July 2003, the City entered into a loan agreement with a local bank to finance the purchase of a police vehicle. The \$20,000 loan has an interest rate of 2.75% and matures on July 5, 2004.

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the City's financial activities.

City of West Branch

Supplemental Information

City of West Branch
Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Library
Receipts:		
Property tax	\$ 350,452	59,200
Other city tax:		
Mobile home tax	9,517	-
Utility tax replacement excise tax	14,392	-
Cable franchise fee	20,622	-
	<u>44,531</u>	<u>-</u>
Licenses and permits:		
Beer and liquor	4,255	-
Cigarette	625	-
Building	51,198	-
	<u>56,078</u>	<u>-</u>
Use of money and property:		
Interest on investments	29,615	946
Rent	3,958	-
	<u>33,573</u>	<u>946</u>
Intergovernmental:		
State allocation	25,209	-
Bank franchise tax	296	-
County library allocation	-	6,955
Open access	-	608
Enrich Iowa grant	-	2,640
Hazard Mitigation grant	469	-
Community Development Block grant	1,402	-
Fire agreements	89,624	-
	<u>117,000</u>	<u>10,203</u>
Charges for service:		
Garbage	32,542	-
Cemetery	9,570	-
Park and recreation	5,132	-
	<u>47,244</u>	<u>-</u>
Miscellaneous:		
Court fines and fees	4,699	1,706
Donations and contributions	-	3,892
Refunds and reimbursements	13,760	739
Miscellaneous	465	-
	<u>18,924</u>	<u>6,337</u>
Total receipts	<u>667,802</u>	<u>76,686</u>

Fire Department Donations	Capital Improvement Reserve	Police Donations	Park Donations	Total
-	-	-	-	409,652
-	-	-	-	9,517
-	-	-	-	14,392
-	-	-	-	20,622
-	-	-	-	44,531
-	-	-	-	4,255
-	-	-	-	625
-	-	-	-	51,198
-	-	-	-	56,078
-	49	-	-	30,610
-	-	-	-	3,958
-	49	-	-	34,568
-	-	-	-	25,209
-	-	-	-	296
-	-	-	-	6,955
-	-	-	-	608
-	-	-	-	2,640
-	-	-	-	469
-	-	-	-	1,402
-	-	-	-	89,624
-	-	-	-	127,203
-	-	-	-	32,542
-	-	-	-	9,570
-	-	-	-	5,132
-	-	-	-	47,244
-	-	-	-	6,405
5,325	-	50	-	9,267
-	-	-	-	14,499
-	-	-	-	465
5,325	-	50	-	30,636
5,325	49	50	-	749,912

City of West Branch
Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Library
Disbursements:		
Public safety:		
Police:		
Personal services	87,376	-
Services and commodities	32,029	-
Capital outlay	1,236	-
	120,641	-
Fire:		
Services and commodities	70,895	-
Capital outlay	35,182	-
	106,077	-
Animal control	318	-
	227,036	-
Public works:		
Street lighting	18,188	-
Streets:		
Personal services	56,370	-
Services and commodities	6,107	-
	62,477	-
Solid waste:		
Services and commodities	42,430	-
	123,095	-
Culture and recreation:		
Parks and recreation:		
Personal services	9,717	-
Services and commodities	18,895	-
Capital outlay	10,559	-
	39,171	-
Cemetery:		
Personal services	22,418	-
Services and commodities	10,804	-
Capital outlay	394	-
	33,616	-

Fire Department Donations	Capital Improvement Reserve	Police Donations	Park Donations	Total
-	-	-	-	87,376
-	-	-	-	32,029
-	-	-	-	1,236
-	-	-	-	120,641
-	-	-	-	70,895
-	-	-	-	35,182
-	-	-	-	106,077
-	-	-	-	318
-	-	-	-	227,036
-	-	-	-	18,188
-	-	-	-	56,370
-	-	-	-	6,107
-	-	-	-	62,477
-	-	-	-	42,430
-	-	-	-	123,095
-	-	-	-	9,717
-	-	-	-	18,895
-	-	-	-	10,559
-	-	-	-	39,171
-	-	-	-	22,418
-	-	-	-	10,804
-	-	-	-	394
-	-	-	-	33,616

City of West Branch
Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Library
Disbursements (continued):		
Culture and recreation:		
Library:		
Personal services	-	48,835
Services and commodities	-	16,175
Capital outlay	-	23,841
	-	88,851
Local cable access:		
Services and commodities	848	-
Capital outlay	8,821	-
	9,669	-
Planning and zoning - local cable:		
Services and commodities	3,140	-
	85,596	88,851
Community and economic development:		
Economic development:		
Services and commodities	6,939	-
Community beautification	3,600	-
	10,539	-
General government:		
Mayor/council members:		
Personal services	6,150	-
Services and commodities	1,393	-
	7,543	-
City clerk/treasurer/administration:		
Personal services	50,795	-
Services and commodities	63,255	-
Capital outlay	15,310	-
	129,360	-
Legal and professional:		
Services and commodities	13,410	-
	150,313	-
Total disbursements	596,579	88,851

Fire Department Donations	Capital Improvement Reserve	Police Donations	Park Donations	Total
-	-	-	-	48,835
-	-	-	-	16,175
-	-	-	-	23,841
-	-	-	-	88,851
-	-	-	-	848
-	-	-	-	8,821
-	-	-	-	9,669
-	-	-	-	3,140
-	-	-	-	174,447
-	-	-	-	6,939
-	-	-	-	3,600
-	-	-	-	10,539
-	-	-	-	6,150
-	-	-	-	1,393
-	-	-	-	7,543
-	-	-	-	50,795
-	-	-	-	63,255
-	-	-	-	15,310
-	-	-	-	129,360
-	-	-	-	13,410
-	-	-	-	150,313
-	-	-	-	685,430

City of West Branch
Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Library
Excess (deficiency) of receipts over (under) disbursements	71,223	(12,165)
Other financing sources (uses):		
Bank loan proceeds	63,611	-
Operating transfers in (out):		
Capital Projects	(160,443)	-
Trust:		
Krouth/Enlow	-	16,011
Cemetery Perpetual Care	16	-
Total other financing sources (uses)	(96,816)	16,011
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(25,593)	3,846
Balance beginning of year	350,932	67,111
Balance end of year	\$ 325,339	70,957

See accompanying independent auditor's report.

Fire Department Donations	Capital Improvement Reserve	Police Donations	Park Donations	Total
5,325	49	50	-	64,482
-	-	-	-	63,611
-	(17,508)	-	-	(177,951)
-	-	-	-	16,011
-	-	-	-	16
-	(17,508)	-	-	(98,313)
5,325	(17,459)	50	-	(33,831)
1,850	17,459	1,323	2,575	441,250
7,175	-	1,373	2,575	407,419

City of West Branch
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Employee Benefits	Tort Liability
Receipts:			
Property tax	\$ -	83,525	31,262
Tax increment financing collections	-	-	-
Other city tax:			
Mobile home tax	-	1,951	729
Utility replacement excise tax	-	2,935	1,099
Local option sales tax	-	-	-
	-	4,886	1,828
Use of money and property:			
Interest on investments	-	-	-
Intergovernmental:			
Road use tax allocation	178,132	-	-
Community Development Block grants/State's Program	-	-	-
City allocation	-	-	-
	178,132	-	-
Miscellaneous:			
Fund raisers and donations	-	-	-
Total receipts	178,132	88,411	33,090
Disbursements:			
Public safety:			
Police:			
Personal services	-	35,202	-
Services and commodities	-	-	7,206
	-	35,202	7,206
Fire:			
Services and commodities	-	-	9,937
	-	35,202	17,143
Public works:			
Streets:			
Personal services	22,923	22,374	-
Services and commodities	47,169	-	8,459
Capital outlay	57,042	-	-
Debt service:			
Principal redeemed	110,701	-	-
Interest	10,836	-	-
	248,671	22,374	8,459

CDBG Grant	Urban Renewal Tax Increment Financing	Volunteer Fire Department	Trees and More	Emergency Tax	Local Option Sales Tax	Total
-	-	-	-	1,515	-	116,302
-	186,835	-	-	-	-	186,835
-	-	-	-	35	-	2,715
-	-	-	-	53	-	4,087
-	-	-	-	-	104,297	104,297
-	-	-	-	88	104,297	111,099
-	-	61	-	-	-	61
-	-	-	-	-	-	178,132
450,586	-	-	-	-	-	450,586
-	-	14,805	-	-	-	14,805
450,586	-	14,805	-	-	-	643,523
-	-	18,516	-	-	-	18,516
450,586	186,835	33,382	-	1,603	104,297	1,076,336
-	-	-	-	-	-	35,202
-	-	-	-	-	-	7,206
-	-	-	-	-	-	42,408
-	-	37,543	-	-	-	47,480
-	-	37,543	-	-	-	89,888
-	-	-	-	-	-	45,297
-	-	-	-	-	-	55,628
-	-	-	-	-	-	57,042
-	-	-	-	-	-	110,701
-	-	-	-	-	-	10,836
-	-	-	-	-	-	279,504

City of West Branch
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Employee Benefits	Tort Liability
Disbursements (continued):			
Culture and recreation:			
Library:			
Personal services	-	14,033	-
Services and commodities	-	-	1,950
	-	14,033	1,950
Parks and recreation:			
Personal services	-	1,176	-
Cemetery:			
Personal services	-	6,295	-
Services and commodities	-	-	700
	-	6,295	700
	-	21,504	2,650
Community and economic development:			
Services and commodities	-	-	-
General government:			
Personal services	-	13,822	-
Services and commodities	-	-	8,000
	-	13,822	8,000
Debt service:			
Principal redeemed	-	-	-
Interest	-	-	-
Professional fees	-	-	-
	-	-	-
Total disbursements	248,671	92,902	36,252
Excess (deficiency) of receipts over (under) disbursements	(70,539)	(4,491)	(3,162)
Balance beginning of year	244,679	34,637	26,644
Balance end of year	\$ 174,140	30,146	23,482

See accompanying independent auditor's report.

CDBG Grant	Urban Renewal Tax Increment Financing	Volunteer Fire Department	Trees and More	Emergency Tax	Local Option Sales Tax	Total
-	-	-	-	-	-	14,033
-	-	-	-	-	-	1,950
-	-	-	-	-	-	15,983
-	-	-	-	-	-	1,176
-	-	-	-	-	-	6,295
-	-	-	-	-	-	700
-	-	-	-	-	-	6,995
-	-	-	-	-	-	24,154
450,586	-	-	250	-	-	450,836
-	-	-	-	-	-	13,822
-	-	-	-	-	104,297	112,297
-	-	-	-	-	104,297	126,119
-	145,000	-	-	-	-	145,000
-	29,375	-	-	-	-	29,375
-	600	-	-	-	-	600
-	174,975	-	-	-	-	174,975
450,586	174,975	37,543	250	-	104,297	1,145,476
-	11,860	(4,161)	(250)	1,603	-	(69,140)
-	53,200	10,840	5,120	2,944	-	378,064
-	65,060	6,679	4,870	4,547	-	308,924

Schedule 3

City of West Branch
Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2003

	<u>General Obligation Bonds</u>
Receipts:	
None	\$ -
Disbursements:	
None	<u>-</u>
Excess of receipts over disbursements	-
Balance beginning of year	<u>1,354</u>
Balance end of year	<u><u>\$ 1,354</u></u>

See accompanying independent auditor's report.

City of West Branch
 Schedule of Cash Transactions
 Capital Project Fund
 Year ended June 30, 2003

Receipts:	
Use of money and property:	
Interest on investments	\$ 1,656
Miscellaneous:	
Sales tax refund	4,194
Total receipts	<u>5,850</u>
Disbursements:	
Capital projects:	
Police/fire building:	
Capital outlay	<u>183,801</u>
Deficiency of receipts under disbursements	<u>(177,951)</u>
Other financing sources:	
Operating transfers in:	
General:	
General	160,443
Capital Improvement Reserve	<u>17,508</u>
Total other financing sources	<u>177,951</u>
Excess of receipts over other financing sources over disbursements	-
Balance beginning of year	<u>-</u>
Balance end of year	<u><u>\$ -</u></u>

See accompanying independent auditor's report.

Schedule 5

City of West Branch
Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water	Sewer	2001 Sewer	Total
Receipts:				
Use of money and property:				
Interest on investments	\$ 1,342	273	-	1,615
Charges for service:				
Sale of water	212,513	-	-	212,513
Sewer rental fees	-	169,026	-	169,026
Hookup/tap fees	335	400	-	735
	<u>212,848</u>	<u>169,426</u>	<u>-</u>	<u>382,274</u>
Miscellaneous:				
Meter/pipe sales	660	-	-	660
Penalties	5,196	-	-	5,196
Sales tax collected	14,229	-	-	14,229
	<u>20,085</u>	<u>-</u>	<u>-</u>	<u>20,085</u>
Total receipts	<u>234,275</u>	<u>169,699</u>	<u>-</u>	<u>403,974</u>
Disbursements:				
Business type activities:				
Personal services	73,188	50,818	-	124,006
Services and commodities	122,395	64,038	-	186,433
Capital outlay	-	-	82,483	82,483
Debt service:				
Principal redeemed	31,400	49,000	-	80,400
Interest payments	1,649	2,398	-	4,047
Total disbursements	<u>228,632</u>	<u>166,254</u>	<u>82,483</u>	<u>477,369</u>
Excess (deficiency) of receipts over (under) disbursements	5,643	3,445	(82,483)	(73,395)
Other financing sources:				
Bank loan proceeds	-	-	82,483	82,483
Excess of receipts and other financing sources over disbursements	5,643	3,445	-	9,088
Balance beginning of year	216,505	127,171	-	343,676
Balance end of year	<u>\$ 222,148</u>	<u>130,616</u>	<u>-</u>	<u>352,764</u>

See accompanying independent auditor's report.

City of West Branch
Combining Schedule of Cash Transactions

Trust Funds

Year ended June 30, 2003

	<u>Non-expendable</u>			Total
	<u>Expendable</u>	Cemetery	Krouth/	
	Krouth/ Enlow	Perpetual Care	Enlow Fund Principal	
Receipts:				
Use of money and property:				
Interest on investments	\$ 6,127	16	-	6,143
Miscellaneous:				
Donation	5,061	-	-	5,061
Perpetual care payments	-	1,920	-	1,920
	<u>5,061</u>	<u>1,920</u>	<u>-</u>	<u>6,981</u>
Total receipts	11,188	1,936	-	13,124
Disbursements:				
None	-	-	-	-
Excess of receipts over disbursements	<u>11,188</u>	<u>1,936</u>	<u>-</u>	<u>13,124</u>
Other financing uses:				
Operating transfers out:				
General:				
General	-	(16)	-	(16)
Library	(16,011)	-	-	(16,011)
Total other financing uses	<u>(16,011)</u>	<u>(16)</u>	<u>-</u>	<u>(16,027)</u>
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(4,823)	1,920	-	(2,903)
Balance beginning of year	<u>43,472</u>	<u>79,639</u>	<u>93,470</u>	<u>216,581</u>
Balance end of year	<u>\$ 38,649</u>	<u>81,559</u>	<u>93,470</u>	<u>213,678</u>

See accompanying independent auditor's report.

Schedule 7

City of West Branch
Bond and Note Maturities
June 30, 2003

Year Ending June 30,	<u>General Obligation Bonds</u> <u>Essential Corporate Purpose</u> <u>Issued Dec 1, 1996</u>		<u>Urban Renewal Tax Increment</u> <u>Revenue Capital Loan Notes</u> <u>Issued Dec 1, 1996</u>	
	Interest Rates	Amount	Interest Rates	Amount
2004	4.60%	\$ 110,000	6.55%	\$ 40,000
2005	4.70	120,000	6.65	45,000
2006		<u>-</u>	6.75	<u>85,000</u>
Total		<u>\$ 230,000</u>		<u>\$ 170,000</u>

See accompanying independent auditor's report.

City of West Branch

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 525,954	512,866	457,729	451,478
Tax increment financing collections	186,835	166,459	174,461	188,685
Other city tax:				
Mobile home tax	12,232	13,243	11,296	11,305
Utility tax replacement excise tax	18,479	17,972	17,584	-
Cable franchise fee	20,622	8,393	7,476	9,231
Local option sales tax	104,297	61,346	-	-
	155,630	100,954	36,356	20,536
Intergovernmental:				
State allocation	25,209	26,583	25,808	25,884
Bank franchise tax	296	834	419	494
County library allocation	6,955	8,220	8,121	7,484
Open access	608	950	1,316	1,665
Community Development Block grant	451,988	-	-	-
Hazard mitigation grant	469	-	-	-
Fire agreements	89,624	58,432	75,773	61,389
Enrich Iowa grant	2,640	2,334	1,920	1,417
RACI grant	-	1,800	-	-
Road use tax allocation	178,132	175,254	158,294	154,767
City allocation	14,805	14,544	13,988	13,174
	770,726	288,951	285,639	266,274
Total	\$ 1,639,145	1,069,230	954,185	926,973

See accompanying independent auditor's report.

Schedule 9

City of West Branch
Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Disbursements</u>
Indirect: U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/ State's Program	14.228	01-ED-012	<u>\$ 451,988</u>

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

See accompanying independent auditor's report.



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

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of West Branch, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 10, 2003. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item IV-B-03.

Internal Control Over Financial Reporting

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

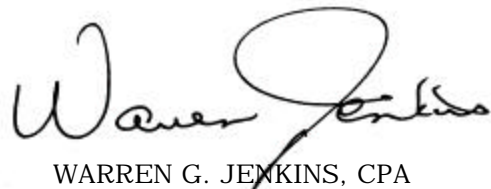
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described in the accompanying Schedule of Findings and Questioned Costs is a material weakness. The prior year reportable condition has not been resolved and is repeated in item II-A-03.

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

September 10, 2003

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

City of West Branch



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

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of West Branch, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2003. The City of West Branch's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of West Branch's management. Our responsibility is to express an opinion on the City of West Branch's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of West Branch's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of West Branch's compliance with those requirements.

In our opinion, the City of West Branch complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-03 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the City of West Branch is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of West Branch's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

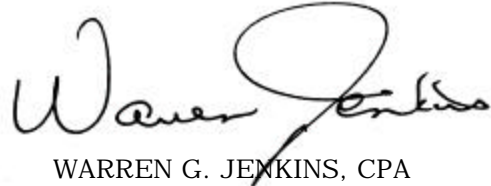
We noted a matter involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of West Branch's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item II-A-03 in the accompanying Schedule of Findings and Questioned Costs

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 10, 2003

City of West Branch

Schedule of Findings

Year ended June 30, 2003

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed one audit finding which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 - Community Development Block Grants/State's Program.
- (h) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (i) The City of West Branch did not qualify as a low-risk auditee.

City of West Branch

Schedule of Findings

Year ended June 30, 2003

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-03 Computer Controls - The City does not have policies and procedures regarding the use and operation of the City's computer system. The following were noted:

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

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

Response - The City is investigating other City internet usage policies and will formulate one. The City does not have a policy on changing passwords every 60-90 days although they are changed. The City will put this into a policy. The City will also draft a written disaster recovery plan for events of natural or other disaster situations.

Conclusion - Response accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2003

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

**CFDA Number 14.228: Community Development Block Grants/State's Program
Pass-through Agency Number: 01-ED-012**

Federal Award Year: 2001

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

III-A-03 Activity Status Reports - Activity Status Reports are required to be submitted semi-annually by January 31 and July 31 for the six months ended December 31 and June 30 respectively. For the report due by July 31, 2002 the date submitted was not determinable. The report due January 31, 2003 was not submitted until March 18, 3003.

Recommendation - The City should ensure the grant administration agency submit the Activity Status Reports as required by Article 6.1 Section(b) of the grant agreement.

Response - The City will contact grant administrator via certified mail letter to inform them about better monitoring of Activity Status Reports and will be sure to monitor the Grant Administering Agent.

Conclusion - Response accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.

IV-B-03 Certified Budget - City disbursements during the year ended June 30, 2003 exceeded the amounts budgeted in the general government and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response - In the general government function, local option income tax increased dramatically due to unforeseen building of large project and per agreement with the County, the City disburses 100% of those funds to the County for a jail project. The capital project function was over due to simply spending more on a project than anticipated at budget amendment time.

Conclusion - Response acknowledged. Disbursements should not be allowed to exceed the budget by function prior to amendment.

IV-C-03 Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-03 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-F-03 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 that the coverage is adequate for current operations.

IV-G-03 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-03 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-03 Payment of General Obligation Bonds - Certain general obligation bonds were paid from the Special Revenue, Urban Renewal Tax Increment Financing Fund. Chapter 384.4 of the Code of Iowa states in part that "Moneys

City of West Branch

Schedule of Findings

Year ended June 30, 2003

pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.”

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

Response - The City will make the transfer to the Debt Service Fund in the future as recommended.

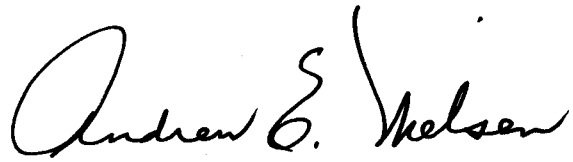
Conclusion - Response accepted.

City of West Branch

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Marc D. Johnson, Staff 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