



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

Richard D. Johnson, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA
Chief Deputy Auditor of State

NEWS RELEASE

FOR RELEASE

October 11, 2002

**Contact: Andy Nielsen
515/281-5515**

Auditor of State Richard Johnson today released an audit report on the City of West Branch, Iowa.

Johnson reported that the City's receipts totaled \$1,773,098 for the year ended June 30, 2002, a 7 percent increase from 2001. The receipts included \$512,866 in property tax, \$521,026 in charges for service, \$207,755 from the state, \$61,346 in local option sales tax, and \$166,459 in tax increment financing collections.

Disbursements for the year totaled \$1,797,056, a 22 percent increase from the prior year, and included \$339,360 for community protection, \$116,687 for human development, \$1,112,572 for home and community environment, and \$228,437 for policy and administration.

The increase in receipts resulted primarily from an increase in charges for service for sewer and water and the adoption of a local option sales tax to help finance the Cedar County Law Enforcement Center. The increase in charges for service for sewer and water resulted from billing and collecting these services on a monthly basis in the current year instead of a quarterly basis as in prior years and a sewer and water rate increase during the fiscal year. Disbursements increased primarily due to construction of the Sanitary Sewer Line Replacement project and the Cedar County Law Enforcement Center.

A copy of the audit report is available for review in the office of the 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
JUNE 30, 2002

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City of West Branch

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Richard L. Rex	Mayor	Jan 2002
Sandra Hatfield	Mayor Pro tem	Jan 2002
Jim Behle	Council Member	Jan 2002
Tom Dean	Council Member	Jan 2004
Tom Hildreth	Council Member	Jan 2004
Mark Worrell	Council Member	Jan 2004
Ty Doermann	Administrator/Clerk	Indefinite
Marilyn Lacina	Treasurer	Indefinite
Bruce Goddard	Attorney	Indefinite
(After January 2002)		
Michael Quinlan	Mayor	Jan 2006
Sandra Hatfield	Mayor Pro tem	Jan 2006
Tom Dean	Council Member	Jan 2004
Tom Hildreth	Council Member	Jan 2004
Mark Worrell	Council Member	Jan 2004
Bob Caldwell	Council Member	Jan 2006
Ty Doermann	Administrator/Clerk	Indefinite
Marilyn Lacina	Treasurer	Indefinite
Bruce Goddard	Attorney	Indefinite

City of West Branch



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Chief Deputy Auditor of State

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, 2002. 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.

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, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 4, 2002 on our consideration of the City of West Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 7 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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 4, 2002

City of West Branch

Financial Statements

City of West Branch
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2002

	Governmental	
	General	Special Revenue
Receipts:		
Property tax	\$ 394,513	118,353
Tax increment financing collections	-	166,459
Other city tax	32,402	68,552
Licenses and permits	11,747	-
Use of money and property	49,832	62
Intergovernmental	99,153	189,798
Charges for service	61,630	-
Miscellaneous	44,649	38,832
Total receipts	693,926	582,056
Disbursements:		
Community Protection Program	259,802	79,558
Human Development Program	100,256	16,431
Home and Community Environment Program	140,714	382,096
Policy and Administration Program	149,567	78,870
Total disbursements	650,339	556,955
Excess (deficiency) of receipts over (under) disbursements	43,587	25,101
Other financing sources (uses):		
Bank loan proceeds	-	-
Operating transfers in	11,761	-
Operating transfers out	(11,756)	-
Total other financing sources (uses)	5	-
Excess of receipts and other financing sources over disbursements and other financing uses	43,592	25,101
Balance beginning of year	397,658	352,963
Balance end of year	\$ 441,250	378,064

See notes to financial statements.

<u>Fund Types</u>	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Total</u>
<u>Debt</u>	<u>Fund Type</u>	<u>Fund Type</u>	<u>(Memorandum</u>
<u>Service</u>	<u>Enterprise</u>	<u>Trust</u>	<u>Only)</u>
-	-	-	512,866
-	-	-	166,459
-	-	-	100,954
-	-	-	11,747
-	2,786	7,483	60,163
-	-	-	288,951
-	459,396	-	521,026
-	25,531	1,920	110,932
-	487,713	9,403	1,773,098
-	-	-	339,360
-	-	-	116,687
-	589,762	-	1,112,572
-	-	-	228,437
-	589,762	-	1,797,056
-	(102,049)	9,403	(23,958)
-	188,511	-	188,511
-	-	-	11,761
-	-	(5)	(11,761)
-	188,511	(5)	188,511
-	86,462	9,398	164,553
1,354	257,214	207,183	1,216,372
1,354	343,676	216,581	1,380,925

City of West Branch

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	Actual	Less Funds Not Required to be Budgeted
Receipts:		
Property tax	\$ 512,866	-
Tax increment financing collections	166,459	-
Other city tax	100,954	-
Licenses and permits	11,747	-
Use of money and property	60,163	68
Intergovernmental	288,951	14,544
Charges for service	521,026	-
Miscellaneous	110,932	36,643
Total receipts	1,773,098	51,255
Disbursements:		
Community Protection Program	339,360	36,408
Human Development Program	116,687	-
Home and Community Environment Program	1,112,572	-
Policy and Administration Program	228,437	-
Total disbursements	1,797,056	36,408
Excess (deficiency) of receipts over (under) disbursements	(23,958)	14,847
Other financing sources (uses), net	188,511	(5)
Excess of receipts and other financing sources over disbursements and other financing uses	164,553	14,842
Balance beginning of year	1,216,372	169,107
Balance end of year	<u>\$ 1,380,925</u>	<u>183,949</u>

See notes to financial statements.

Net	Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
512,866	508,649	4,217	101%
166,459	180,485	(14,026)	92%
100,954	80,381	20,573	126%
11,747	5,500	6,247	214%
60,095	31,550	28,545	190%
274,407	322,443	(48,036)	85%
521,026	547,500	(26,474)	95%
74,289	80,483	(6,194)	92%
1,721,843	1,756,991	(35,148)	98%
302,952	324,430	21,478	93%
116,687	133,647	16,960	87%
1,112,572	1,197,751	85,179	93%
228,437	234,655	6,218	97%
1,760,648	1,890,483	129,835	93%
(38,805)	(133,492)		
188,516	200,000		
149,711	66,508		
1,047,265	874,417		
1,196,976	940,925		

City of West Branch
Statement of Indebtedness
Year ended June 30, 2002

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 (note 4):			
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
Air Packs	Dec. 26, 2000	5.40	38,943
Sanitary sewer line replacement	May 13, 2002	4.65	340,000
Lease purchase agreement (note 5):			
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
435,000	-	100,000	335,000	19,825
245,000	-	35,000	210,000	16,208
56,400	-	25,000	31,400	2,762
94,000	-	45,000	49,000	4,605
77,040	-	56,460	20,580	3,540
38,943	-	38,943	-	1,100
-	188,511	-	188,511	-
\$ 266,383	188,511	165,403	289,491	12,007
146,000	-	-	146,000	-

City of West Branch

Notes to Financial Statements

June 30, 2002

(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, recreation, public improvements and general administrative services.

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. The City of West Branch has no component units which meet the Governmental Accounting Standards Board criteria.

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 fund 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.

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 Volunteer Fire Department in the Special Revenue Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

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, 2002 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
	2003	\$ 105,000	15,425	40,000	13,950	145,000
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	\$ 335,000	31,765	210,000	39,768	545,000	71,533

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 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 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 November 20, 1996, the City entered into a loan agreement with a local bank to finance water and sewer infrastructure improvements of \$310,400. The loan will be repaid from the water and sewer utility revenues. Annual debt service requirements are as follows:

Year Ending June 30,	Interest Rates	Water		Sewer		Total	
		Principal	Interest	Principal	Interest	Principal	Interest
		2003	\$ 25,000	1,554	45,000	2,426	70,000
2004	5.10	6,400	326	4,000	204	10,400	530
Total		\$ 31,400	1,880	49,000	2,630	80,400	4,510

On August 5, 1997, the City entered into a loan agreement with a local bank to finance street resurfacing and infrastructure improvements of \$234,187. The primary source of repayment for the loan will be road use tax funds. Annual debt service requirements are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest
2003	4.75%	<u>\$ 20,580</u>	<u>957</u>

On May 13, 2002, the City entered into 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 interest at a rate of 4.65% per annum and matures on July 5, 2009. The City is scheduled to make annual principal and interest payments of \$58,000 beginning July 5, 2003. The loan will be repaid from future sewer utility revenues. A schedule of annual debt service requirements has not been included for this loan because the City had only drawn \$188,517 of the loan proceeds as of June 30, 2002.

(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 interest at a rate of 5.34% and matures July 15, 2004. The annual lease purchase payments are as follows:

Year Ending June 30,	Amount
2003	\$100,000
2004	30,198
2005	<u>30,199</u>
Total minimum lease payments	160,397
Less amounts representing interest	<u>(14,397)</u>
Present value of net minimum lease payments	<u>\$146,000</u>

No payments were made on this lease during the year ended June 30, 2002.

(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 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$23,082, \$21,690, and \$19,854, 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, 2002.

The City's approximate liability for earned compensatory and vacation hours payable to employees at June 30, 2002, primarily relating to the General Fund, was \$37,000. This liability has been computed based on rates of pay in effect at June 30, 2002.

(8) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2002, disbursements in the Policy and Administration Program exceeded the amount budgeted prior to the budget being 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 Economic Betterment Account (CEBA) Loan Program

The Iowa Department of Economic Development (DED) and the City of West Branch entered into a loan agreement for \$350,000 dated January 31, 1996. The loan agreement has two components: (1) a \$100,000 loan and (2) a \$250,000 forgivable loan.

\$100,000 Loan

DED loaned the City \$100,000 at zero percent interest for five years to assist with economic development, with the funds being passed on to a local business. The terms of the loan require sixty equal installments of \$1,666.66 beginning August 31, 1996. The City also received a promissory note from the local business in the principal sum of \$100,000 to be paid in sixty monthly installments beginning August 31, 1996. The principal balance was fully paid at June 30, 2002.

\$250,000 Forgivable Loan

DED also awarded the City a \$250,000 forgivable loan at six percent interest for five years for economic development. The City subsequently loaned this money to a local business. The loan to this business requires no interest or principal payments during years one through five. At the project completion date, if the business has fulfilled at least 50% of its job creation/retention and wage obligation, \$1,923 will be forgiven for each new job created/retained and maintained for at least ninety days past the project completion date. Any balance (shortfall) will be due immediately and interest will be charged at six percent per annum. The City has a loan agreement with CEBA under the same terms as the loan to the local business as previously described. At June 30, 2002, the loan balance was forgiven.

(11) Subsequent Event

In July 2002, the City entered into a loan agreement with a local bank to finance the purchase of warning sirens for the City. The \$30,000 loan has an interest rate of 3.25% and matures on July 5, 2003.

City of West Branch

Supplemental Information

City of West Branch
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Library
Receipts:		
Property tax	\$ 340,693	53,820
Other city tax:		
Mobile home tax	10,199	-
Utility tax replacement excise tax	13,810	-
Cable franchise fee	8,393	-
	<u>32,402</u>	<u>-</u>
Licenses and permits:		
Beer and liquor	3,763	-
Cigarette	563	-
Building	7,421	-
	<u>11,747</u>	<u>-</u>
Use of money and property:		
Interest on investments	43,504	1,183
Rent	2,378	-
Sale of property	1,500	-
	<u>47,382</u>	<u>1,183</u>
Intergovernmental:		
State allocation	26,583	-
Bank franchise tax	834	-
County library allocation	-	8,220
Open access	-	950
Enrich Iowa Grant	-	2,334
RACI Grant	1,800	-
Fire agreements	58,432	-
	<u>87,649</u>	<u>11,504</u>

Fire Department Donations	Capital Improvement Reserve	Police Donations	Park Donations	Total
-	-	-	-	394,513
-	-	-	-	10,199
-	-	-	-	13,810
-	-	-	-	8,393
-	-	-	-	32,402
-	-	-	-	3,763
-	-	-	-	563
-	-	-	-	7,421
-	-	-	-	11,747
-	1,267	-	-	45,954
-	-	-	-	2,378
-	-	-	-	1,500
-	1,267	-	-	49,832
-	-	-	-	26,583
-	-	-	-	834
-	-	-	-	8,220
-	-	-	-	950
-	-	-	-	2,334
-	-	-	-	1,800
-	-	-	-	58,432
-	-	-	-	99,153

City of West Branch
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Library
Receipts (continued):		
Charges for service:		
Garbage	45,999	-
Cemetery	10,006	-
Park and Recreation	5,625	-
	61,630	-
Miscellaneous:		
Court fines and fees	5,848	1,475
Donations and contributions	4,045	1,037
Refunds and reimbursements	22,533	406
Miscellaneous	560	-
	32,986	2,918
Total receipts	614,489	69,425
Disbursements:		
Community Protection Program:		
Police:		
Personal services	91,356	-
Contractual services	17,666	-
Commodities	9,837	-
Capital outlay	2,918	-
	121,777	-
Fire:		
Contractual services	33,592	-
Commodities	28,852	-
Capital outlay	25,000	-
	87,444	-
Debt Service:		
Principal redemption	33,943	-
Interest payment	1,100	-
	35,043	-
Street lighting	15,538	-
	259,802	-

Fire Department Donations	Capital Improvement Reserve	Police Donations	Park Donations	Total
-	-	-	-	45,999
-	-	-	-	10,006
-	-	-	-	5,625
-	-	-	-	61,630
-	-	-	-	7,323
8,245	-	500	-	13,827
-	-	-	-	22,939
-	-	-	-	560
8,245	-	500	-	44,649
8,245	1,267	500	-	693,926
-	-	-	-	91,356
-	-	-	-	17,666
-	-	-	-	9,837
-	-	-	-	2,918
-	-	-	-	121,777
-	-	-	-	33,592
-	-	-	-	28,852
-	-	-	-	25,000
-	-	-	-	87,444
-	-	-	-	33,943
-	-	-	-	1,100
-	-	-	-	35,043
-	-	-	-	15,538
-	-	-	-	259,802

City of West Branch
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Library
Disbursements (continued):		
Human Development Program:		
Animal Control	377	-
Library:		
Personal services	-	49,371
Contractual services	-	8,307
Commodities	-	1,598
Capital outlay	-	17,330
	-	76,606
Park:		
Personal services	6,431	-
Contractual services	1,847	-
Commodities	3,417	-
	11,695	-
Planning and zoning	100	-
Community beautification	562	-
Cable access commission:		
Contractual services	524	-
Commodities	1,717	-
Capital outlay	8,675	-
	10,916	-
	23,650	76,606
Home and Community Environment Program:		
Cemetery:		
Personal services	21,305	-
Contractual services	7,659	-
Commodities	2,504	-
	31,468	-
Trash removal:		
Contractual services	41,122	-

Fire Department Donations	Capital Improvement Reserve	Police Donations	Park Donations	Total
-	-	-	-	377
-	-	-	-	49,371
-	-	-	-	8,307
-	-	-	-	1,598
-	-	-	-	17,330
-	-	-	-	76,606
-	-	-	-	6,431
-	-	-	-	1,847
-	-	-	-	3,417
-	-	-	-	11,695
-	-	-	-	100
-	-	-	-	562
-	-	-	-	524
-	-	-	-	1,717
-	-	-	-	8,675
-	-	-	-	10,916
-	-	-	-	100,256
-	-	-	-	21,305
-	-	-	-	7,659
-	-	-	-	2,504
-	-	-	-	31,468
-	-	-	-	41,122

City of West Branch
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Library
Disbursements (continued):		
Home and Community Environment Program:		
Streets:		
Personal services	55,982	-
Contractual services	332	-
	56,314	-
Community beautification	5,660	-
Economic development:		
Contractual services	6,150	-
	140,714	-
Policy and Administration Program:		
Mayor/Council Members:		
Personal services	6,150	-
Contractual services	663	-
Commodities	373	-
	7,186	-
City Clerk/Administration:		
Personal services	44,444	-
Contractual services	66,777	-
Commodities	7,357	-
Capital outlay	12,051	-
	130,629	-
Legal and professional:		
Contractual services	11,752	-
	149,567	-
Total disbursements	573,733	76,606
Excess (deficiency) of receipts over (under) disbursements	40,756	(7,181)

Fire Department Donations	Capital Improvement Reserve	Police Donations	Park Donations	Total
-	-	-	-	55,982
-	-	-	-	332
-	-	-	-	56,314
-	-	-	-	5,660
-	-	-	-	6,150
-	-	-	-	140,714
-	-	-	-	6,150
-	-	-	-	663
-	-	-	-	373
-	-	-	-	7,186
-	-	-	-	44,444
-	-	-	-	66,777
-	-	-	-	7,357
-	-	-	-	12,051
-	-	-	-	130,629
-	-	-	-	11,752
-	-	-	-	149,567
-	-	-	-	650,339
8,245	1,267	500	-	43,587

City of West Branch
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2002

	General	Library
Other financing sources (uses):		
Operating transfers in (out):		
General:		
General	-	-
Fire Department Donations	11,756	-
Trust:		
Cemetery Perpetual Care	5	-
Total other financing sources (uses)	11,761	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	52,517	(7,181)
Balance beginning of year	298,415	74,292
Balance end of year	\$ 350,932	67,111

See accompanying independent auditor's report.

Fire Department Donations	Capital Improvement Reserve	Police Donations	Park Donations	Total
(11,756)	-	-	-	(11,756)
-	-	-	-	11,756
-	-	-	-	5
(11,756)	-	-	-	5
(3,511)	1,267	500	-	43,592
5,361	16,192	823	2,575	397,658
1,850	17,459	1,323	2,575	441,250

City of West Branch
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Employee Benefits	Tort Liability
Receipts:			
Property tax	\$ -	85,762	31,135
Tax increment financing collections	-	-	-
Other city tax:			
Mobile home tax	-	2,204	802
Utility replacement excise tax	-	3,017	1,094
Local option sales tax	-	-	-
	-	5,221	1,896
Use of money and property:			
Interest on investments	-	-	-
Intergovernmental:			
Road use tax allocation	175,254	-	-
City allocation	-	-	-
	175,254	-	-
Miscellaneous:			
CEBA loan reimbursements	-	-	-
Fund raisers and donations	-	-	-
	-	-	-
Total receipts	175,254	90,983	33,031
Disbursements:			
Community Protection Program:			
Personal services	-	27,928	1,500
Contractual services	-	-	13,722
Commodities	-	-	-
Capital outlay	-	-	-
	-	27,928	15,222
Debt Service:			
Principal redemption	-	-	-
	-	27,928	15,222

CEBA Grant	Urban Renewal Tax Increment Financing	Volunteer Fire Department	Trees and More	Emergency Tax	Local Option Sales Tax	Total
-	-	-	-	1,456	-	118,353
-	166,459	-	-	-	-	166,459
-	-	-	-	38	-	3,044
-	-	-	-	51	-	4,162
-	-	-	-	-	61,346	61,346
-	-	-	-	89	61,346	68,552
-	-	62	-	-	-	62
-	-	-	-	-	-	175,254
-	-	14,544	-	-	-	14,544
-	-	14,544	-	-	-	189,798
3,334	-	-	-	-	-	3,334
-	-	34,723	775	-	-	35,498
3,334	-	34,723	775	-	-	38,832
3,334	166,459	49,329	775	1,545	61,346	582,056
-	-	-	-	-	-	29,428
-	-	10,966	-	-	-	24,688
-	-	11,211	-	-	-	11,211
-	-	9,231	-	-	-	9,231
-	-	31,408	-	-	-	74,558
-	-	5,000	-	-	-	5,000
-	-	36,408	-	-	-	79,558

City of West Branch
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Employee Benefits	Tort Liability
Disbursements (continued):			
Human Development Program:			
Personal services	-	14,481	300
Contractual services	-	-	1,650
	-	14,481	1,950
Home and Community Environment Program:			
Personal services	19,417	26,911	2,500
Contractual services	20,374	-	4,500
Commodities	32,676	-	-
Capital outlay	40,583	-	-
Debt service:			
Principal redemption	56,460	-	-
Interest payments	3,540	-	-
Professional fees	-	-	-
	173,050	26,911	7,000
Policy and Administration Program:			
Personal services	-	12,636	2,000
Contractual services	-	-	2,888
	-	12,636	4,888
Total disbursements	173,050	81,956	29,060
Excess (deficiency) of receipts over (under) disbursements	2,204	9,027	3,971
Balance beginning of year	242,475	25,610	22,673
Balance end of year	\$ 244,679	34,637	26,644

See accompanying independent auditor's report.

CEBA Grant	Urban Renewal Tax Increment Financing	Volunteer Fire Department	Trees and More	Emergency Tax	Local Option Sales Tax	Total
-	-	-	-	-	-	14,781
-	-	-	-	-	-	1,650
-	-	-	-	-	-	16,431
-	-	-	-	-	-	48,828
3,334	-	-	-	-	-	28,208
-	-	-	167	-	-	32,843
-	-	-	-	-	-	40,583
-	135,000	-	-	-	-	191,460
-	36,033	-	-	-	-	39,573
-	601	-	-	-	-	601
3,334	171,634	-	167	-	-	382,096
-	-	-	-	-	-	14,636
-	-	-	-	-	61,346	64,234
-	-	-	-	-	61,346	78,870
3,334	171,634	36,408	167	-	61,346	556,955
-	(5,175)	12,921	608	1,545	-	25,101
-	58,375	(2,081)	4,512	1,399	-	352,963
-	53,200	10,840	5,120	2,944	-	378,064

Schedule 3

City of West Branch
Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2002

	<u>General Obligation Bonds</u>
Receipts:	
None	\$ -
Disbursements:	
None	-
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
 Enterprise Funds
 Year ended June 30, 2002

	Water	Sewer	2001 Sewer	Total
Receipts:				
Use of money and property:				
Interest on investments	\$ 2,786	-	-	2,786
Charges for service:				
Sale of water	249,553	-	-	249,553
Sewer rental fees	-	208,167	-	208,167
Hookup/tap fees	1,226	450	-	1,676
	250,779	208,617	-	459,396
Miscellaneous:				
Meter pipe sales	2,465	-	-	2,465
Penalties	5,067	-	-	5,067
Sales tax collected	17,999	-	-	17,999
	25,531	-	-	25,531
Total receipts	279,096	208,617	-	487,713
Disbursements:				
Home and Community Environment Program:				
Personal services	70,387	49,489	-	119,876
Contractual services	52,579	48,110	188,511	289,200
Commodities	19,470	1,459	-	20,929
Capital outlay	75,124	7,266	-	82,390
Debt service:				
Principal redemption	25,000	45,000	-	70,000
Interest payments	2,762	4,605	-	7,367
Total disbursements	245,322	155,929	188,511	589,762
Excess (deficiency) of receipts over (under) disbursements	33,774	52,688	(188,511)	(102,049)
Other financing sources:				
Bank loan proceeds	-	-	188,511	188,511
Excess of receipts and other financing sources over disbursements	33,774	52,688	-	86,462
Balance beginning of year	182,731	74,483	-	257,214
Balance end of year	\$ 216,505	127,171	-	343,676

See accompanying independent auditor's report.

Schedule 5

City of West Branch
Combining Schedule of Cash Transactions
Trust Funds
Year ended June 30, 2002

	Non-Expendable			Total
	Expendable Crouch/ Enlow	Cemetery Perpetual Care	Crouch/ Enlow Fund Principal	
Receipts:				
Use of money and property:				
Interest on investments	\$ 7,477	6	-	7,483
Miscellaneous:				
Perpetual care payments	-	1,920	-	1,920
Total receipts	7,477	1,926	-	9,403
Disbursements:				
None	-	-	-	-
Excess of receipts over disbursements	7,477	1,926	-	9,403
Other financing uses:				
Operating transfers out:				
General:				
General	-	(5)	-	(5)
Excess of receipts over disbursements and other financing uses	7,477	1,921	-	9,398
Balance beginning of year	35,995	77,718	93,470	207,183
Balance end of year	\$ 43,472	79,639	93,470	216,581

See accompanying independent auditor's report.

City of West Branch
Bond and Note Maturities
June 30, 2002

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment	
	Essential Corporate Purpose		Revenue Capital Loan Notes	
	Issued Dec 1, 1996		Issued Dec 1, 1996	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2003	4.50%	\$ 105,000	6.50%	\$ 40,000
2004	4.60	110,000	6.55	40,000
2005	4.70	120,000	6.65	45,000
2006		-	6.75	85,000
Total		<u>\$ 335,000</u>		<u>\$ 210,000</u>

See accompanying independent auditor's report.

Schedule 7

City of West Branch

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,			
	2002	2001	2000	1999
Property tax	\$ 512,866	457,729	451,478	470,093
Tax increment financing collections	166,459	174,461	188,685	32,976
Other city tax:				
Mobile home tax	13,243	11,296	11,305	11,359
Utility tax replacement excise tax	17,972	17,584	-	-
Cable franchise fee	8,393	7,476	9,231	12,763
Local option sales tax	61,346	-	-	-
	100,954	36,356	20,536	24,122
Intergovernmental:				
State allocation	26,583	25,808	25,884	25,866
Bank franchise tax	834	419	494	2,576
County library allocation	8,220	8,121	7,484	7,332
Open access	950	1,316	1,665	1,463
Public safety and community policing grants	-	-	-	15,783
Fire agreements	58,432	75,773	61,389	57,157
Enrich Iowa Grant	2,334	1,920	1,417	-
RACI Grant	1,800	-	-	-
Road use tax allocation	175,254	158,294	154,767	146,350
City allocation	14,544	13,988	13,174	12,596
	288,951	285,639	266,274	269,123
Total	\$ 1,069,230	954,185	926,973	796,314

See accompanying independent auditor's report.



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

Richard D. Johnson, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA
Chief Deputy Auditor of State

**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, 2002, and have issued our report thereon dated September 4, 2002. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2002 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.

Internal Control Over Financial Reporting

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Branch during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 4, 2002

City of West Branch
Schedule of Findings
Year ended June 30, 2002

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

(A) 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 will contact CMS to learn and have required password changes every 90 days. The City will draft a policy on internet usage in the office. The City will 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, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Certified Budget - City disbursements during the year ended June 30, 2002, exceeded the amount budgeted in the Policy and Administration program prior to the budget being amended. 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 amount in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - This was due to a local option tax established for a county law enforcement center, the city has a line item in the policy and administration program to prevent this problem from reoccurring in the future. This tax was established after the budget process was completed.

Conclusion - Response accepted.

- (3) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (6) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (7) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) 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.
- (9) Capital Projects Fund - The City accounted for Fire Department/Police Station expansion in the General Fund, General Account.

Recommendation - Separate capital project funds should be established to account for all project costs and project financing sources.

Response - In the future the City will establish a capital projects fund for projects of this nature.

Conclusion - Response accepted.

City of West Branch

Staff

This audit was performed by:

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

Andrew E. Nielsen, CPA
Deputy Auditor of State