



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 22, 2010

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$3,287,644 for the year ended June 30, 2009, a 48 percent decrease from 2008. The receipts included \$951,189 in property tax, \$671,841 from tax increment financing, \$674,204 from charges for service, \$414,242 from operating grants, contributions and restricted interest, \$289,238 from capital grants, contributions and restricted interest, \$22,727 from unrestricted interest on investments, \$198,432 from loan proceeds and \$65,771 from other general receipts.

Disbursements for the year totaled \$3,147,307, a 47 percent decrease from the prior year, and included \$666,570 for community and economic development, \$598,898 for public works and \$568,777 for public safety. Also, disbursements for business type activities totaled \$489,910.

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

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

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**CITY OF WEST BRANCH**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
  
**JUNE 30, 2009**

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**City of West Branch**

**Officials**

| <u>Name</u>               | <u>Title</u>   | <u>Term Expires</u> |
|---------------------------|----------------|---------------------|
| Sandra Hatfield           | Mayor          | Jan 2010            |
| Mark Worrell              | Mayor Pro tem  | Jan 2012            |
| Robert Sexton (Appointed) | Council Member | Nov 2009            |
| Ken Peplow                | Council Member | Jan 2010            |
| Todd Stoolman             | Council Member | (Resigned Apr 2009) |
| Tom Dean                  | Council Member | Jan 2012            |
| David Johnson             | Council Member | Jan 2012            |
| Kyle Soukup               | Administrator  | Indefinite          |
| Deb Fiderlein             | Clerk          | Indefinite          |
| Dawn Brandt               | Deputy Clerk   | Indefinite          |
| Bruce Goddard             | Attorney       | Indefinite          |

**City of West Branch**



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

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Branch's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

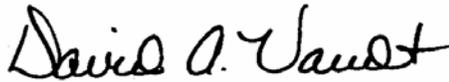
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2010 on our consideration of the City of West Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Branch's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 21, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of West Branch provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 52%, or \$2,966,324, from fiscal year 2008 to fiscal year 2009. Operating grants, contributions and restricted interest decreased \$2,818,222.
- Disbursements of the City's governmental activities decreased 51%, or \$2,742,600, in fiscal year 2009 from fiscal year 2008. Community and economic development disbursements decreased \$1,842,925 and public works disbursements decreased \$591,072.
- The City's total cash basis net assets increased 8%, or \$140,337, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased \$85,408 and the assets of the business type activities increased \$54,929.

### **USING THIS ANNUAL REPORT**

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

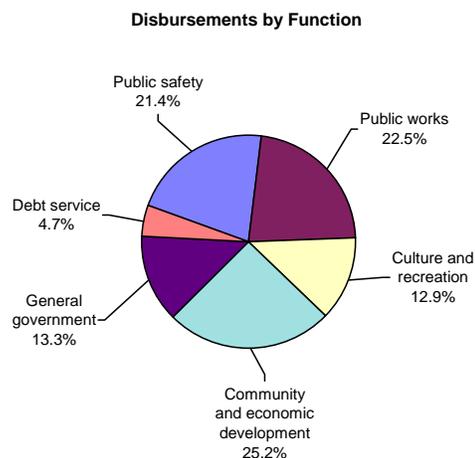
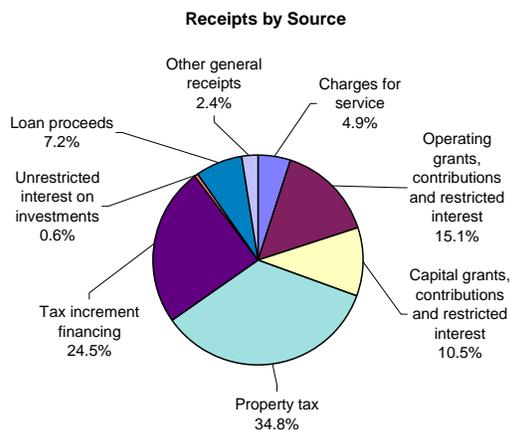
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$85,408 from a year ago, from \$1,289,119 to \$1,374,527. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities |                        |           |
|---|------------------------|-----------|
|   | Year ended<br>June 30, |           |
|   | 2009                   | 2008      |
| Receipts:   |                        |           |
| Program receipts:   |                        |           |
| Charges for service   | \$ 134,381             | 181,506   |
| Operating grants, contributions and restricted interest     | 414,242                | 3,232,464 |
| Capital grants, contributions and restricted interest       | 289,238                | 392,352   |
| General receipts:   |                        |           |
| Property tax  | 951,189                | 826,021   |
| Tax increment financing                                     | 671,841                | 529,777   |
| Local option sales tax                                      | -                      | 36,995    |
| Unrestricted interest on investments                        | 17,711                 | 51,941    |
| Loan proceeds   | 198,432                | 237,219   |
| Other general receipts                                      | 65,771                 | 220,854   |
| Total receipts  | 2,742,805              | 5,709,129 |
| Disbursements:  |                        |           |
| Public safety   | 568,777                | 450,250   |
| Public works  | 598,898                | 1,189,970 |
| Culture and recreation                                      | 343,912                | 266,101   |
| Community and economic development                          | 666,570                | 2,509,495 |
| General government  | 354,240                | 183,185   |
| Debt service  | 125,000                | 654,723   |
| Capital projects  | -                      | 146,273   |
| Total disbursements   | 2,657,397              | 5,399,997 |
| Change in cash basis net assets before transfers            | 85,408                 | 309,132   |
| Transfers, net  | -                      | (9,149)   |
| Change in cash basis net assets                             | 85,408                 | 299,983   |
| Cash basis net assets beginning of year                     | 1,289,119              | 989,136   |
| Cash basis net assets end of year                           | \$ 1,374,527           | 1,289,119 |



The City's total receipts for governmental activities decreased 52%, or \$2,966,324. The total cost of all programs and services decreased \$2,742,600, or 51%. The significant decrease in receipts and disbursements was primarily due to the pass through loan of \$2,500,000 from the Iowa Department of Economic Development to Acciona Windpower North America, LLC. (Acciona) during fiscal year 2008. The remaining decrease in receipts and public works disbursements was primarily due to work completed for the RISE road project in fiscal year 2008.

The cost of all governmental activities this year was \$2,657,397, compared to \$5,399,997 last year. However, as shown in the Statement of Activities and Net Assets on pages 14 and 15, the amount taxpayers ultimately financed for these activities was only \$1,819,536 because some of the cost was paid by those who directly benefited from the programs (\$134,381) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$703,480). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2009 from \$3,806,322 to \$837,861, principally due to the pass through loan from the Iowa Department of Economic Development to Acciona during fiscal year 2008. The City paid for the remaining "public benefit" portion of governmental activities with \$1,623,030 in levied taxes, \$198,432 of loan proceeds and \$83,482 of other receipts, such as interest and miscellaneous receipts.

| Changes in Cash Basis Net Assets of Business Type Activities |                        |                |
|--|------------------------|----------------|
|  | Year ended<br>June 30, |                |
|  | 2009                   | 2008           |
| Receipts:  |                        |                |
| Program receipts:  |                        |                |
| Charges for service:   |                        |                |
| Water  | \$ 348,026             | 352,046        |
| Sewer  | 191,797                | 205,114        |
| General receipts:  |                        |                |
| Unrestricted interest on investments                         | 5,016                  | 6,105          |
| Bond proceeds  | -                      | 57,495         |
| Total receipts   | <u>544,839</u>         | <u>620,760</u> |
| Disbursements:   |                        |                |
| Water  | 294,796                | 316,679        |
| Sewer  | 195,114                | 185,251        |
| Total disbursements  | <u>489,910</u>         | <u>501,930</u> |
| Change in cash basis net assets before transfers             | 54,929                 | 118,830        |
| Transfers, net   | -                      | 9,149          |
| Change in cash basis net assets                              | 54,929                 | 127,979        |
| Cash basis net assets beginning of year                      | <u>461,967</u>         | <u>333,988</u> |
| Cash basis net assets end of year                            | <u>\$ 516,896</u>      | <u>461,967</u> |

Total business type activities receipts for the fiscal year were \$544,839 compared to \$620,760 last year. The decrease was due primarily to the receipt of bond proceeds in fiscal year 2008 of \$57,495. The cash balance increased \$54,929 over the prior year. Total disbursements for the fiscal year decreased 2% to \$489,910.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of West Branch completed the year, its governmental funds reported a combined cash balance of \$1,374,527, an increase of \$85,408 over last year's total of \$1,289,119. The following are reasons for changes in cash balances of the major funds from the prior year.

- The General Fund cash balance decreased \$10,797 from the prior year to \$590,272. The decrease was due, in part, to lower interest rates available on City investments, which earned \$30,000 less in fiscal year 2009 compared to fiscal year 2008 along with increases in operating expenses with the acquisition of the Cookson Community Center and public safety disbursements.
- The Special Revenue, Road Use Tax Fund cash balance increased \$86,249 to \$234,624. The increase was due to the timing of disbursements and reimbursements related to RISE road projects.
- The Special Revenue, Economic Development Fund cash balance remained constant at \$138,935 during fiscal 2009.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$13,491 during fiscal year 2009. Receipts of \$529,552 were rebated to Proctor and Gamble during fiscal year 2009.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$56,986 to \$302,660. The increase was primarily due to the project completed during fiscal year 2008 with approximately \$46,000 of disbursements during fiscal year 2008 and none in fiscal year 2009.
- The Sewer Fund cash balance decreased \$2,057 to \$214,236 due, in part, to a decrease in sewer receipts in fiscal year 2009 compared to fiscal year 2008, due to decreased usage and increased operating disbursements.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget three times. The first amendment was approved on August 4, 2008 to provide for the receipt and disbursement of loan proceeds to settle a lawsuit. The second amendment was approved on October 6, 2008 and the third amendment was passed on May 18, 2009 to provide for increases in various disbursements.

The City's receipts were \$124,637 less than budgeted. This was primarily due to the City budgeting for approximately \$203,000 more in miscellaneous receipts than were realized.

Total disbursements were \$240,145 less than the amended budget. This was primarily due to a decrease in business type activities disbursements.

## **DEBT ADMINISTRATION**

At June 30, 2009, the City had \$3,106,323 in bonds and other long-term debt outstanding, compared to \$3,191,277 last year, as shown below.

| Outstanding Debt at Year-End |              |           |
|------------------------------|--------------|-----------|
|                              | June 30,     |           |
|                              | 2009         | 2008      |
| General obligation bonds     | \$ 1,527,000 | 1,600,000 |
| Loan agreements              | 746,323      | 721,277   |
| Revenue bonds                | 833,000      | 870,000   |
| Total                        | \$ 3,106,323 | 3,191,277 |

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,273,323 is below its constitutional debt limit of approximately \$4.0 million.

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

Numerous issues were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are \$2,853,376, a decrease of 8% from the final 2009 budget. Water rates are expected to remain constant since the rates were increased in 2006. Budgeted disbursements are expected to decrease \$455,877. The decrease in receipts and disbursements is primarily due in part to the payment of lawsuit in fiscal year 2009.

If these estimates are realized, the City's budgeted cash balance is expected to remain relatively unchanged by the close of fiscal year 2010.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Fiderlein, City Clerk, 304 E. Main, P.O. Box 218, City of West Branch, Iowa 52358-0218.

## **Basic Financial Statements**

City of West Branch

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

|   | Disbursements       | Program Receipts    |   |   |
|---|---------------------|---------------------|---|---|
|   |                     | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions/Programs:</b>              |                     |                     |   |   |
| Governmental activities:                |                     |                     |   |   |
| Public safety                           | \$ 568,777          | 51,880              | 176,720   | -   |
| Public works                            | 598,898             | 46,535              | 183,891   | 289,238   |
| Culture and recreation                  | 343,912             | 28,277              | 53,566  | -   |
| Community and economic development      | 666,570             | -                   | 65  | -   |
| General government                      | 354,240             | 7,689               | -   | -   |
| Debt service                            | 125,000             | -                   | -   | -   |
| Total governmental activities           | <u>2,657,397</u>    | <u>134,381</u>      | <u>414,242</u>  | <u>289,238</u>  |
| Business type activities:               |                     |                     |   |   |
| Water                                   | 294,796             | 348,026             | -   | -   |
| Sewer                                   | 195,114             | 191,797             | -   | -   |
| Total business type activities          | <u>489,910</u>      | <u>539,823</u>      | <u>-</u>  | <u>-</u>  |
| Total                                   | <u>\$ 3,147,307</u> | <u>674,204</u>      | <u>414,242</u>  | <u>289,238</u>  |
| <b>General Receipts:</b>                |                     |                     |   |   |
| Property and other city tax levied for: |                     |                     |   |   |
| General purposes                        |                     |                     |   |   |
| Debt service                            |                     |                     |   |   |
| Tax increment financing                 |                     |                     |   |   |
| Unrestricted interest on investments    |                     |                     |   |   |
| Loan proceeds                           |                     |                     |   |   |
| Sale of assets                          |                     |                     |   |   |
| Miscellaneous                           |                     |                     |   |   |
| Total general receipts                  |                     |                     |   |   |
| Change in cash basis net assets         |                     |                     |   |   |
| Cash basis net assets beginning of year |                     |                     |   |   |
| Cash basis net assets end of year       |                     |                     |   |   |
| <b>Cash Basis Net Assets</b>            |                     |                     |   |   |
| Restricted:                             |                     |                     |   |   |
| Nonexpendable:                          |                     |                     |   |   |
| Permanent funds                         |                     |                     |   |   |
| Expendable:                             |                     |                     |   |   |
| Streets                                 |                     |                     |   |   |
| Economic development                    |                     |                     |   |   |
| Urban renewal purposes                  |                     |                     |   |   |
| Debt service                            |                     |                     |   |   |
| Other purposes                          |                     |                     |   |   |
| Unrestricted                            |                     |                     |   |   |
| <b>Total cash basis net assets</b>      |                     |                     |   |   |

See notes to financial statements.

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

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| Governmental<br>Activities | Business Type<br>Activities | Total       |
|----------------------------|-----------------------------|-------------|
| (340,177)                  | -                           | (340,177)   |
| (79,234)                   | -                           | (79,234)    |
| (262,069)                  | -                           | (262,069)   |
| (666,505)                  | -                           | (666,505)   |
| (346,551)                  | -                           | (346,551)   |
| (125,000)                  | -                           | (125,000)   |
| (1,819,536)                | -                           | (1,819,536) |

|             |         |             |
|-------------|---------|-------------|
| -           | 53,230  | 53,230      |
| -           | (3,317) | (3,317)     |
| -           | 49,913  | 49,913      |
| (1,819,536) | 49,913  | (1,769,623) |

|           |       |           |
|-----------|-------|-----------|
| 804,229   | -     | 804,229   |
| 146,960   | -     | 146,960   |
| 671,841   | -     | 671,841   |
| 17,711    | 5,016 | 22,727    |
| 198,432   | -     | 198,432   |
| 23,000    | -     | 23,000    |
| 42,771    | -     | 42,771    |
| 1,904,944 | 5,016 | 1,909,960 |

|              |         |           |
|--------------|---------|-----------|
| 85,408       | 54,929  | 140,337   |
| 1,289,119    | 461,967 | 1,751,086 |
| \$ 1,374,527 | 516,896 | 1,891,423 |

|              |         |           |
|--------------|---------|-----------|
| \$ 163,215   | -       | 163,215   |
| 234,624      | -       | 234,624   |
| 138,935      | -       | 138,935   |
| 37,936       | -       | 37,936    |
| 31,240       | 4       | 31,244    |
| 178,305      | -       | 178,305   |
| 590,272      | 516,892 | 1,107,164 |
| \$ 1,374,527 | 516,896 | 1,891,423 |

City of West Branch

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

As of and for the year ended June 30, 2009

|  | Special Revenue |                    |                         |
|--|-----------------|--------------------|-------------------------|
|  | General         | Road<br>Use<br>Tax | Economic<br>Development |
| <b>Receipts:</b>   |                 |                    |                         |
| Property tax   | \$ 620,967      | -                  | -                       |
| Tax increment financing                                    | -               | -                  | -                       |
| Other city tax   | 30,656          | -                  | -                       |
| Licenses and permits                                       | 38,155          | -                  | -                       |
| Use of money and property                                  | 18,003          | -                  | -                       |
| Intergovernmental  | 103,893         | 470,776            | -                       |
| Charges for service  | 61,184          | -                  | -                       |
| Miscellaneous  | 74,976          | -                  | -                       |
| Total receipts   | 947,834         | 470,776            | -                       |
| <b>Disbursements:</b>                                      |                 |                    |                         |
| Operating:   |                 |                    |                         |
| Public safety  | 460,500         | -                  | -                       |
| Public works   | 169,770         | 384,527            | -                       |
| Culture and recreation                                     | 272,445         | -                  | -                       |
| Community and economic development                         | 8,220           | -                  | -                       |
| General government   | 339,062         | -                  | -                       |
| Debt service   | -               | -                  | -                       |
| Total disbursements  | 1,249,997       | 384,527            | -                       |
| Excess (deficiency) of receipts over (under) disbursements | (302,163)       | 86,249             | -                       |
| <b>Other financing sources (uses):</b>                     |                 |                    |                         |
| Sale of capital assets                                     | 23,000          | -                  | -                       |
| Loan proceeds  | 197,500         | -                  | -                       |
| Operating transfers in                                     | 71,011          | -                  | -                       |
| Operating transfers out                                    | (145)           | -                  | -                       |
| Total other financing sources (uses)                       | 291,366         | -                  | -                       |
| Net change in cash balances                                | (10,797)        | 86,249             | -                       |
| Cash balances beginning of year                            | 601,069         | 148,375            | 138,935                 |
| Cash balances end of year                                  | \$ 590,272      | 234,624            | 138,935                 |
| <b>Cash Basis Fund Balances</b>                            |                 |                    |                         |
| Reserved for debt service                                  | \$ -            | -                  | -                       |
| Unreserved:  |                 |                    |                         |
| General fund   | 590,272         | -                  | -                       |
| Special revenue funds                                      | -               | 234,624            | 138,935                 |
| Capital projects fund                                      | -               | -                  | -                       |
| Permanent funds  | -               | -                  | -                       |
| Total cash basis fund balances                             | \$ 590,272      | 234,624            | 138,935                 |

See notes to financial statements.

| Urban<br>Renewal |          |           |
|------------------|----------|-----------|
| Tax Increment    | Nonmajor | Total     |
| -                | 330,222  | 951,189   |
| 671,841          | -        | 671,841   |
| -                | -        | 30,656    |
| -                | -        | 38,155    |
| -                | 4,465    | 22,468    |
| -                | 27,248   | 601,917   |
| -                | 1,512    | 62,696    |
| -                | 67,475   | 142,451   |
| 671,841          | 430,922  | 2,521,373 |
| -                | 108,277  | 568,777   |
| -                | 44,601   | 598,898   |
| -                | 71,467   | 343,912   |
| 658,350          | -        | 666,570   |
| -                | 15,178   | 354,240   |
| -                | 125,000  | 125,000   |
| 658,350          | 364,523  | 2,657,397 |
| 13,491           | 66,399   | (136,024) |
| -                | -        | 23,000    |
| -                | 932      | 198,432   |
| -                | 145      | 71,156    |
| -                | (71,011) | (71,156)  |
| -                | (69,934) | 221,432   |
| 13,491           | (3,535)  | 85,408    |
| 24,445           | 376,295  | 1,289,119 |
| 37,936           | 372,760  | 1,374,527 |
| -                | 31,240   | 31,240    |
| -                | -        | 590,272   |
| 37,936           | 178,031  | 589,526   |
| -                | 274      | 274       |
| -                | 163,215  | 163,215   |
| 37,936           | 372,760  | 1,374,527 |

**City of West Branch**

City of West Branch

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

As of and for the year ended June 30, 2009

|   | Enterprise |          |           |
|---|------------|----------|-----------|
|   | Water      | Sewer    | Total     |
| Charges for service                                       | \$ 345,999 | 191,797  | 537,796   |
| Miscellaneous   | 2,027      | -        | 2,027     |
| Total operating receipts                                  | 348,026    | 191,797  | 539,823   |
| Operating disbursements:                                  |            |          |           |
| Business type activities                                  | 229,521    | 148,864  | 378,385   |
| Excess of operating receipts over operating disbursements | 118,505    | 42,933   | 161,438   |
| Non-operating receipts (disbursements):                   |            |          |           |
| Interest on investments                                   | 3,756      | 1,260    | 5,016     |
| Debt service  | (65,275)   | (46,250) | (111,525) |
| Total non-operating receipts (disbursements)              | (61,519)   | (44,990) | (106,509) |
| Net change in cash balances                               | 56,986     | (2,057)  | 54,929    |
| Cash balances beginning of year                           | 245,674    | 216,293  | 461,967   |
| Cash balances end of year                                 | \$ 302,660 | 214,236  | 516,896   |
| <b>Cash Basis Fund Balances</b>                           |            |          |           |
| Reserved for debt service                                 | \$ 4       | -        | 4         |
| Unreserved  | 302,656    | 214,236  | 516,892   |
| Total cash basis fund balances                            | \$ 302,660 | 214,236  | 516,896   |

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

**Blended Component Units**

The following component units are entities that are legally separate from the City, but are so intertwined with the City they, in substance, are the same as the City. They are reported as part of the City and blended into the appropriate fund.

The Friends of the West Branch Public Library has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the general operation of the West Branch Public Library. In accordance with criteria set by the Governmental Accounting Standards Board, the Friends of the West Branch Public Library meets the definition of a component unit which should be blended. The financial activity for the account held by the component unit has been blended as a Special Revenue Fund of the City.

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 the following boards and commissions: Cedar County Assessor's Conference Board, Cedar County Joint E911 Service Board and Cedar County Emergency Management Agency.

#### B. Basis of Presentation

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

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

##### Restricted net assets:

Nonexpendable – Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's permanent funds.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Economic Development Fund is used for revolving loans for new businesses and economic development of new business.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing proceeds and principal and interest on debt incurred for urban renewal projects.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**(3) Bonds and Notes Payable**

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

| Year<br>Ending<br>June 30, | General Obligation Bonds |          | Water Revenue Bonds |          | Total     |          |
|----------------------------|--------------------------|----------|---------------------|----------|-----------|----------|
|                            | Principal                | Interest | Principal           | Interest | Principal | Interest |
| 2010                       | \$ 76,000                | 45,810   | 38,000              | 14,990   | 114,000   | 60,800   |
| 2011                       | 78,000                   | 43,530   | 39,000              | 23,850   | 117,000   | 67,380   |
| 2012                       | 80,000                   | 41,190   | 41,000              | 22,680   | 121,000   | 63,870   |
| 2013                       | 83,000                   | 38,590   | 42,000              | 21,450   | 125,000   | 60,040   |
| 2014                       | 85,000                   | 36,300   | 43,000              | 20,190   | 128,000   | 56,490   |
| 2015-2019                  | 466,000                  | 141,630  | 236,000             | 80,700   | 702,000   | 222,330  |
| 2020-2024                  | 541,000                  | 67,350   | 273,000             | 43,230   | 814,000   | 110,580  |
| 2025-2026                  | 118,000                  | 3,540    | 121,000             | 5,460    | 239,000   | 9,000    |
| Total                      | \$ 1,527,000             | 417,940  | 833,000             | 232,550  | 2,360,000 | 650,490  |

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

On April 5, 2007, the City entered into an agreement with the Iowa Finance Authority and Wells Fargo Bank, N.A. for the issuance of \$83,000 of water revenue bonds, with an interest rate of 3.0% per annum. The bonds were issued pursuant to the provisions of Chapters 384 and 384.24A of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$943,000 of water revenue bonds issued in June 2005 and April 2007. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 55 percent of net receipts. The total principal and interest remaining to be paid on the two bond issues is \$1,065,550. For the current year, total principal and interest paid on the June 2005 and April 2007 bonds was \$63,100 and total customer net receipts were \$118,505.

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

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

**(4) Loan Agreements**

On May 13, 2002, the City entered into a loan agreement with a local bank, not to exceed \$340,000. These funds were used to finance a sanitary sewer line replacement project. The loan bears 4.65% per annum interest and matures on July 5, 2009. The loan agreement was amended on July 1, 2003 for the amount actually borrowed, \$270,994, and to require annual principal and interest payments of \$46,250 beginning July 5, 2003. The final payment of \$44,674 plus interest of \$2,087 is due July 5, 2009.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$270,994 sanitary sewer line replacement loan agreement. The loan is payable solely from sewer customer net receipts and is payable through 2010. Annual principal and interest payments on the loan are generally expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the loan is \$46,771. For the current year, principal and interest paid and total customer net receipts were \$46,250 and \$42,933 respectively.

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

| Public Works Maintenance Building Loan |                   |            |          |         |
|--|-------------------|------------|----------|---------|
| Year<br>Ending<br>June 30,             | Interest<br>Rates | Principal  | Interest | Total   |
| 2010                                   | 5.35%             | \$ 24,302  | 6,648    | 30,950  |
| 2011                                   | 5.35              | 25,602     | 5,348    | 30,950  |
| 2012                                   | 5.35              | 26,972     | 3,978    | 30,950  |
| 2013                                   | 5.35              | 28,415     | 2,535    | 30,950  |
| 2014                                   | 5.35              | 18,973     | 429      | 19,402  |
| Total                                  |                   | \$ 124,264 | 18,938   | 143,202 |

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

| Rise Road Project Loan     |                   |            |          |         |
|----------------------------|-------------------|------------|----------|---------|
| Year<br>Ending<br>June 30, | Interest<br>Rates | Principal  | Interest | Total   |
| 2010                       | 4.30%             | \$ 84,854  | 7,448    | 92,302  |
| 2011                       | 4.30              | 88,342     | 3,799    | 92,141  |
| Total                      |                   | \$ 173,196 | 11,247   | 184,443 |

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

| 2007 Rise Road Project Loan |                   |           |          |        |
|-----------------------------|-------------------|-----------|----------|--------|
| Year<br>Ending<br>June 30,  | Interest<br>Rates | Principal | Interest | Total  |
| 2010                        | 4.30%             | \$ 33,538 | 2,988    | 36,526 |
| 2011                        | 4.30              | 35,000    | 1,526    | 36,526 |
| Total                       |                   | \$ 68,538 | 4,514    | 73,052 |

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

| City Office Loan           |                   |            |          |         |
|----------------------------|-------------------|------------|----------|---------|
| Year<br>Ending<br>June 30, | Interest<br>Rates | Principal  | Interest | Total   |
| 2010                       | 4.20%             | \$ 12,879  | 5,081    | 17,960  |
| 2011                       | 4.20              | 13,419     | 5,261    | 18,680  |
| 2012                       | 4.20              | 13,982     | 4,698    | 18,680  |
| 2013                       | 4.20              | 14,570     | 4,110    | 18,680  |
| 2014                       | 4.20              | 15,181     | 3,499    | 18,680  |
| 2015                       | 4.20              | 15,819     | 2,861    | 18,680  |
| 2016                       | 4.20              | 16,483     | 2,197    | 18,680  |
| 2017                       | 4.20              | 17,176     | 1,504    | 18,680  |
| 2018                       | 4.20              | 17,897     | 783      | 18,680  |
| 2019                       | 4.20              | 745        | 31       | 776     |
| Total                      |                   | \$ 138,151 | 30,025   | 168,176 |

On August 5, 2008, the City entered into a loan agreement with a local bank, not to exceed \$197,500. These funds were used to provide funds for a lawsuit settlement. The loan bears 4.50% per annum interest and matures on November 1, 2023. Annual debt service requirements are as follows:

| Lawsuit Settlement |          |            |          |         |
|--------------------|----------|------------|----------|---------|
| Year               | Interest | Principal  | Interest | Total   |
| Ending<br>June 30, | Rates    |            |          |         |
| 2010               | 4.50%    | \$ 9,505   | 8,888    | 18,393  |
| 2011               | 4.50     | 9,933      | 8,460    | 18,393  |
| 2012               | 4.50     | 10,380     | 8,013    | 18,393  |
| 2013               | 4.50     | 10,827     | 7,566    | 18,393  |
| 2014               | 4.50     | 11,334     | 7,059    | 18,393  |
| 2015               | 4.50     | 11,845     | 6,548    | 18,393  |
| 2016               | 4.50     | 12,378     | 6,015    | 18,393  |
| 2017               | 4.50     | 12,920     | 5,473    | 18,393  |
| 2018               | 4.50     | 13,516     | 4,877    | 18,393  |
| 2019               | 4.50     | 14,124     | 4,269    | 18,393  |
| 2020               | 4.50     | 14,760     | 3,633    | 18,393  |
| 2021               | 4.50     | 15,416     | 2,977    | 18,393  |
| 2022               | 4.50     | 16,118     | 2,275    | 18,393  |
| 2023               | 4.50     | 16,843     | 1,550    | 18,393  |
| 2024               | 4.50     | 17,601     | 792      | 18,393  |
| Total              |          | \$ 197,500 | 78,395   | 275,895 |

**(5) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$35,077, \$31,825 and \$30,868, respectively, equal to the required contributions for each year.

**(6) Compensated Absences**

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

Employees eligible for retirement will receive one-half of their accumulated sick leave balance. However, the employees must have earned the maximum days allowable before sick leave benefits under this plan are effective. No employees were eligible for sick leave benefits at June 30, 2009.

The City's approximate liability for earned vacation hours payable to employees at June 30, 2009, primarily relating to the General Fund, was \$49,000. This liability has been computed based on rates of pay in effect at June 30, 2009.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

| Transfer to      | Transfer from          | Amount           |
|------------------|------------------------|------------------|
| General          | Special Revenue:       |                  |
|                  | Home Town Days         | \$ 1,000         |
|                  | Emergency Tax          | 19,000           |
|                  | Local Option Sales Tax | 38,011           |
|                  | Permanent:             |                  |
|                  | Krouth/Enlow Principal | 13,000           |
|                  |                        | <u>71,011</u>    |
| Special Revenue: | General                |                  |
| Trees and More   |                        | 145              |
| Total            |                        | <u>\$ 71,156</u> |

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

**(8) Risk Management**

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

**(9) Tax Increment Development Agreements**

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

On April 17, 2007, the City entered into a second tax increment development agreement with P & G. Under the terms of the agreement, as amended on August 2, 2007, P & G will undertake an urban renewal project consisting of certain improvements to be completed in the West Branch Urban Renewal Area. The City agreed to rebate to P & G incremental property tax actually paid for the first two years and the percentage of incremental tax paid for years three through ten with respect to these improvements and received under Iowa Code Section 403.19 for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements are first paid.

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

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

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

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

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

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

**Acciona Windpower North America**  
**2007**

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

During the year ended June 30, 2009, \$529,552 of rebates were made to P & G. The total rebates made through the first four years of the agreements total \$2,507,785.

**(10) Construction Contracts**

On February 24, 2008, the City entered into a construction contract totaling \$561,005 for interchange improvements. At June 30, 2009, \$422,352 had been paid for work completed. The unpaid contract balance totaled \$138,653 and will be paid as work on the project is completed.

**(11) Subsequent Event**

During September 2009, the City was awarded a Rural Law Enforcement Grant for \$139,000 to fund staff and purchase equipment.

**City of West Branch**

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2009

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Less<br>Funds not<br>Required to<br>be Budgeted |
|---|---------------------------------|--------------------------------|---|
| Receipts:   |                                 |                                |   |
| Property tax  | \$ 951,189                      | -                              | -   |
| Tax increment financing   | 671,841                         | -                              | -   |
| Other city tax  | 30,656                          | -                              | -   |
| Licenses and permits  | 38,155                          | -                              | -   |
| Use of money and property   | 22,468                          | 5,016                          | 14  |
| Intergovernmental   | 601,917                         | -                              | 27,248  |
| Charges for service   | 62,696                          | 537,796                        | -   |
| Miscellaneous   | 142,451                         | 2,027                          | 45,710  |
| Total receipts  | <u>2,521,373</u>                | <u>544,839</u>                 | <u>72,972</u>                                   |
| Disbursements:  |                                 |                                |   |
| Public safety   | 568,777                         | -                              | 53,494  |
| Public works  | 598,898                         | -                              | -   |
| Culture and recreation  | 343,912                         | -                              | 9,201   |
| Community and economic development  | 666,570                         | -                              | -   |
| General government  | 354,240                         | -                              | -   |
| Debt service  | 125,000                         | -                              | -   |
| Business type activities  | -                               | 489,910                        | -   |
| Total disbursements   | <u>2,657,397</u>                | <u>489,910</u>                 | <u>62,695</u>                                   |
| Excess (deficiency) of receipts<br>over (under) disbursements   | (136,024)                       | 54,929                         | 10,277  |
| Other financing sources, net  | <u>221,432</u>                  | -                              | -   |
| Excess (deficiency) of receipts and<br>other financing sources over (under)<br>disbursements and other financing uses | 85,408                          | 54,929                         | 10,277  |
| Balances beginning of year  | <u>1,289,119</u>                | <u>461,967</u>                 | <u>61,394</u>                                   |
| Balances end of year  | <u>\$ 1,374,527</u>             | <u>516,896</u>                 | <u>71,671</u>                                   |

See accompanying independent auditor's report.

| Total            | Budgeted Amounts |                  | Final to<br>Total<br>Variance |
|------------------|------------------|------------------|-------------------------------|
|                  | Original         | Final            |                               |
| 951,189          | 927,742          | 927,742          | 23,447                        |
| 671,841          | 680,000          | 680,000          | (8,159)                       |
| 30,656           | 16,821           | 16,821           | 13,835                        |
| 38,155           | 50,100           | 52,100           | (13,945)                      |
| 27,470           | 40,250           | 40,540           | (13,070)                      |
| 574,669          | 517,207          | 519,486          | 55,183                        |
| 600,492          | 579,700          | 579,700          | 20,792                        |
| 98,768           | 88,435           | 301,488          | (202,720)                     |
| <u>2,993,240</u> | <u>2,900,255</u> | <u>3,117,877</u> | <u>(124,637)</u>              |
| 515,283          | 517,713          | 522,581          | 7,298                         |
| 598,898          | 630,055          | 605,055          | 6,157                         |
| 334,711          | 311,088          | 378,914          | 44,203                        |
| 666,570          | 690,720          | 690,720          | 24,150                        |
| 354,240          | 177,489          | 369,489          | 15,249                        |
| 125,000          | 146,470          | 146,470          | 21,470                        |
| 489,910          | 599,378          | 611,528          | 121,618                       |
| <u>3,084,612</u> | <u>3,072,913</u> | <u>3,324,757</u> | <u>240,145</u>                |
| (91,372)         | (172,658)        | (206,880)        | 115,508                       |
| <u>221,432</u>   | <u>25,000</u>    | <u>(7,000)</u>   | <u>228,432</u>                |
| 130,060          | (147,658)        | (213,880)        | 343,940                       |
| <u>1,689,692</u> | <u>1,257,283</u> | <u>1,257,283</u> | <u>432,409</u>                |
| <u>1,819,752</u> | <u>1,109,625</u> | <u>1,043,403</u> | <u>776,349</u>                |

City of West Branch

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$251,844. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

**Other Supplementary Information**

City of West Branch

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

As of and for the year ended June 30, 2009

|  | Special Revenue   |                |                        |                          |                |
|--|-------------------|----------------|------------------------|--------------------------|----------------|
|  | Employee Benefits | Tort Liability | Friends of the Library | West Branch Firefighters | Home Town Days |
| Receipts:  |                   |                |                        |                          |                |
| Property tax   | \$ 107,883        | 55,266         | -                      | -                        | -              |
| Use of money and property                                  | -                 | -              | -                      | 14                       | 276            |
| Intergovernmental  | -                 | -              | -                      | 27,248                   | -              |
| Charges for service  | -                 | -              | -                      | -                        | -              |
| Miscellaneous  | -                 | -              | 10,137                 | 35,573                   | 21,700         |
| Total receipts   | 107,883           | 55,266         | 10,137                 | 62,835                   | 21,976         |
| Disbursements:   |                   |                |                        |                          |                |
| Operating:   |                   |                |                        |                          |                |
| Public safety  | 28,640            | 26,143         | -                      | 53,494                   | -              |
| Public works   | 26,779            | 17,822         | -                      | -                        | -              |
| Culture and recreation                                     | 32,912            | 6,118          | 9,201                  | -                        | 23,236         |
| General government   | 11,210            | 3,968          | -                      | -                        | -              |
| Debt service   | -                 | -              | -                      | -                        | -              |
| Total disbursements  | 99,541            | 54,051         | 9,201                  | 53,494                   | 23,236         |
| Excess (deficiency) of receipts over (under) disbursements | 8,342             | 1,215          | 936                    | 9,341                    | (1,260)        |
| Other financing sources (uses):                            |                   |                |                        |                          |                |
| Loan proceeds  | -                 | -              | -                      | -                        | -              |
| Operating transfers in                                     | -                 | -              | -                      | -                        | -              |
| Operating transfers out                                    | -                 | -              | -                      | -                        | (1,000)        |
| Total other financing sources (uses)                       | -                 | -              | -                      | -                        | (1,000)        |
| Net change in cash balances                                | 8,342             | 1,215          | 936                    | 9,341                    | (2,260)        |
| Cash balances beginning of year                            | 20,012            | 15,147         | 52,001                 | 9,393                    | 15,931         |
| Cash balances end of year                                  | \$ 28,354         | 16,362         | 52,937                 | 18,734                   | 13,671         |
| <b>Cash Basis Fund Balances</b>                            |                   |                |                        |                          |                |
| Reserved for debt service                                  | \$ -              | -              | -                      | -                        | -              |
| Unreserved:  |                   |                |                        |                          |                |
| Special revenue funds                                      | 28,354            | 16,362         | 52,937                 | 18,734                   | 13,671         |
| Capital projects fund                                      | -                 | -              | -                      | -                        | -              |
| Permanent funds  | -                 | -              | -                      | -                        | -              |
| Total cash basis fund balances                             | \$ 28,354         | 16,362         | 52,937                 | 18,734                   | 13,671         |

See accompanying independent auditor's report.

| Trees and<br>More | Emergency<br>Tax | Local Option<br>Sales Tax | Krouth/<br>Enlow | Debt<br>Service | Capital<br>Projects | Permanent                     |                               | Total    |
|-------------------|------------------|---------------------------|------------------|-----------------|---------------------|-------------------------------|-------------------------------|----------|
|                   |                  |                           |                  |                 |                     | Krouth/<br>Enlow<br>Principal | Cemetery<br>Perpetual<br>Care |          |
| -                 | 20,113           | -                         | -                | 146,960         | -                   | -                             | -                             | 330,222  |
| -                 | -                | 1,016                     | 1,389            | -               | -                   | 1,765                         | 5                             | 4,465    |
| -                 | -                | -                         | -                | -               | -                   | -                             | -                             | 27,248   |
| -                 | -                | -                         | -                | -               | -                   | -                             | 1,512                         | 1,512    |
| -                 | -                | -                         | -                | -               | -                   | -                             | 65                            | 67,475   |
| -                 | 20,113           | 1,016                     | 1,389            | 146,960         | -                   | 1,765                         | 1,582                         | 430,922  |
| -                 | -                | -                         | -                | -               | -                   | -                             | -                             | 108,277  |
| -                 | -                | -                         | -                | -               | -                   | -                             | -                             | 44,601   |
| -                 | -                | -                         | -                | -               | -                   | -                             | -                             | 71,467   |
| -                 | -                | -                         | -                | -               | -                   | -                             | -                             | 15,178   |
| -                 | -                | -                         | -                | 125,000         | -                   | -                             | -                             | 125,000  |
| -                 | -                | -                         | -                | 125,000         | -                   | -                             | -                             | 364,523  |
| -                 | 20,113           | 1,016                     | 1,389            | 21,960          | -                   | 1,765                         | 1,582                         | 66,399   |
| -                 | -                | -                         | -                | -               | 932                 | -                             | -                             | 932      |
| 145               | -                | -                         | -                | -               | -                   | -                             | -                             | 145      |
| -                 | (19,000)         | (38,011)                  | (13,000)         | -               | -                   | -                             | -                             | (71,011) |
| 145               | (19,000)         | (38,011)                  | (13,000)         | -               | 932                 | -                             | -                             | (69,934) |
| 145               | 1,113            | (36,995)                  | (11,611)         | 21,960          | 932                 | 1,765                         | 1,582                         | (3,535)  |
| (145)             | 13,978           | 37,258                    | 44,230           | 9,280           | (658)               | 68,119                        | 91,749                        | 376,295  |
| -                 | 15,091           | 263                       | 32,619           | 31,240          | 274                 | 69,884                        | 93,331                        | 372,760  |
| -                 | -                | -                         | -                | 31,240          | -                   | -                             | -                             | 31,240   |
| -                 | 15,091           | 263                       | 32,619           | -               | -                   | -                             | -                             | 178,031  |
| -                 | -                | -                         | -                | -               | 274                 | -                             | -                             | 274      |
| -                 | -                | -                         | -                | -               | -                   | 69,884                        | 93,331                        | 163,215  |
| -                 | 15,091           | 263                       | 32,619           | 31,240          | 274                 | 69,884                        | 93,331                        | 372,760  |

City of West Branch  
Schedule of Indebtedness  
Year ended June 30, 2009

| Obligation                      | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------------|---------------|----------------|--------------------------|
| General obligation bonds:       |               |                |                          |
| Water improvement               | Jun 2, 2005   | 3.00%          | \$ 1,740,000             |
| Loan agreements:                |               |                |                          |
| Sanitary sewer line replacement | May 13, 2002  | 4.65%          | \$ 270,994               |
| Maintenance building            | Feb 14, 2007  | 5.35           | 174,400                  |
| RISE road project               | Jun 15, 2007  | 4.30           | 250,000                  |
| 2007 Rise road project          | Sep 18, 2007  | 4.30           | 100,000                  |
| City office                     | Feb 1, 2008   | 4.20           | 150,000                  |
| Lawsuit settlement              | Aug 5, 2008   | 4.50           | 197,500                  |
| Total                           |               |                |                          |
| Revenue bonds:                  |               |                |                          |
| Water                           | Jun 2, 2005   | 3.00%          | \$ 860,000               |
| Water                           | Apr 5, 2007   | 3.00           | 83,000                   |
| Total                           |               |                |                          |

See accompanying independent auditor's report.

| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 1,600,000                       | -                        | 73,000                     | 1,527,000                 | 48,000           |
| 86,824                          | -                        | 42,150                     | 44,674                    | 4,100            |
| 147,234                         | -                        | 22,970                     | 124,264                   | 7,980            |
| 250,000                         | -                        | 76,804                     | 173,196                   | 15,498           |
| 100,000                         | -                        | 31,462                     | 68,538                    | 5,064            |
| 137,219                         | 932                      | -                          | 138,151                   | 1,338            |
| -                               | 197,500                  | -                          | 197,500                   | 2,143            |
| <b>\$ 721,277</b>               | <b>198,432</b>           | <b>173,386</b>             | <b>746,323</b>            | <b>36,123</b>    |
| 795,000                         | -                        | 34,000                     | 761,000                   | 23,850           |
| 75,000                          | -                        | 3,000                      | 72,000                    | 2,250            |
| <b>\$ 870,000</b>               | <b>-</b>                 | <b>37,000</b>              | <b>833,000</b>            | <b>26,100</b>    |

**Schedule 3**

## City of West Branch

## Bond Maturities

June 30, 2009

| Year<br>Ending<br>June 30, | General Obligation Bonds |                     | Revenue Bonds      |                   |                    |                  |                | Total |
|----------------------------|--------------------------|---------------------|--------------------|-------------------|--------------------|------------------|----------------|-------|
|                            | Water Improvement        |                     | Water              |                   | Water              |                  |                |       |
|                            | Issued Jun 2, 2005       |                     | Issued Jun 2, 2005 |                   | Issued Apr 5, 2007 |                  |                |       |
|                            | Interest<br>Rates        | Amount              | Interest<br>Rates  | Amount            | Interest<br>Rates  | Amount           |                |       |
| 2010                       | 3.00%                    | \$ 76,000           | 3.00%              | \$ 35,000         | 3.00%              | \$ 3,000         | 38,000         |       |
| 2011                       | 3.00                     | 78,000              | 3.00               | 36,000            | 3.00               | 3,000            | 39,000         |       |
| 2012                       | 3.00                     | 80,000              | 3.00               | 37,000            | 3.00               | 4,000            | 41,000         |       |
| 2013                       | 3.00                     | 83,000              | 3.00               | 38,000            | 3.00               | 4,000            | 42,000         |       |
| 2014                       | 3.00                     | 85,000              | 3.00               | 39,000            | 3.00               | 4,000            | 43,000         |       |
| 2015                       | 3.00                     | 88,000              | 3.00               | 41,000            | 3.00               | 4,000            | 45,000         |       |
| 2016                       | 3.00                     | 90,000              | 3.00               | 42,000            | 3.00               | 4,000            | 46,000         |       |
| 2017                       | 3.00                     | 93,000              | 3.00               | 43,000            | 3.00               | 4,000            | 47,000         |       |
| 2018                       | 3.00                     | 96,000              | 3.00               | 44,000            | 3.00               | 4,000            | 48,000         |       |
| 2019                       | 3.00                     | 99,000              | 3.00               | 46,000            | 3.00               | 4,000            | 50,000         |       |
| 2020                       | 3.00                     | 102,000             | 3.00               | 47,000            | 3.00               | 4,000            | 51,000         |       |
| 2021                       | 3.00                     | 105,000             | 3.00               | 48,000            | 3.00               | 5,000            | 53,000         |       |
| 2022                       | 3.00                     | 108,000             | 3.00               | 50,000            | 3.00               | 5,000            | 55,000         |       |
| 2023                       | 3.00                     | 111,000             | 3.00               | 51,000            | 3.00               | 5,000            | 56,000         |       |
| 2024                       | 3.00                     | 115,000             | 3.00               | 53,000            | 3.00               | 5,000            | 58,000         |       |
| 2025                       | 3.00                     | 118,000             | 3.00               | 55,000            | 3.00               | 5,000            | 60,000         |       |
| 2026                       |                          | -                   | 3.00               | 56,000            | 3.00               | 5,000            | 61,000         |       |
| Total                      |                          | <u>\$ 1,527,000</u> |                    | <u>\$ 761,000</u> |                    | <u>\$ 72,000</u> | <u>833,000</u> |       |

See accompanying independent auditor's report.

## City of West Branch

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

For the Last Seven Years

|                                       | 2009         | 2008      | 2007      | 2006      | 2005      | 2004      | 2003      |
|---------------------------------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Receipts:                             |              |           |           |           |           |           |           |
| Property tax                          | \$ 951,189   | 826,020   | 829,292   | 638,204   | 597,246   | 574,476   | 525,954   |
| Tax increment financing               | 671,841      | 529,777   | 530,449   | 600,430   | 534,506   | 181,065   | 186,835   |
| Other city tax                        | 30,656       | 57,272    | 24,446    | 94,710    | 132,729   | 164,757   | 155,630   |
| Licenses and permits                  | 38,155       | 37,783    | 152,068   | 22,731    | 19,569    | 34,348    | 56,078    |
| Use of money and property             | 22,468       | 56,450    | 57,214    | 36,688    | 13,843    | 13,089    | 42,428    |
| Intergovernmental                     | 601,917      | 3,468,113 | 315,187   | 297,628   | 294,124   | 307,252   | 770,726   |
| Charges for service                   | 62,696       | 54,345    | 51,555    | 48,531    | 56,434    | 45,332    | 47,244    |
| Miscellaneous                         | 142,451      | 441,900   | 180,807   | 241,825   | 301,381   | 96,091    | 60,327    |
| Total                                 | \$ 2,521,373 | 5,471,660 | 2,141,018 | 1,980,747 | 1,949,832 | 1,416,410 | 1,845,222 |
| Disbursements:                        |              |           |           |           |           |           |           |
| Operating:                            |              |           |           |           |           |           |           |
| Public safety                         | \$ 568,777   | 450,250   | 450,128   | 761,810   | 340,295   | 438,184   | 316,924   |
| Public works                          | 598,898      | 1,189,970 | 947,954   | 311,379   | 348,924   | 342,145   | 402,599   |
| Culture and recreation                | 343,912      | 266,101   | 268,101   | 216,177   | 199,374   | 224,135   | 198,601   |
| Community and economic<br>development | 666,570      | 2,509,495 | 9,790     | 10,215    | 12,271    | 10,800    | 461,375   |
| General government                    | 354,240      | 183,185   | 193,989   | 157,507   | 162,454   | 165,493   | 276,432   |
| Debt service                          | 125,000      | 654,723   | 655,999   | 699,851   | 851,535   | 291,393   | 174,975   |
| Capital projects                      | -            | 146,273   | 133,368   | -         | -         | -         | 183,801   |
| Total                                 | \$ 2,657,397 | 5,399,997 | 2,659,329 | 2,156,939 | 1,914,853 | 1,472,150 | 2,014,707 |

See accompanying independent auditor's report.

**City of West Branch**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 21, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Branch's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters that is 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 21, 2010

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Library Financial Records – The Library is not consistently maintaining complete records of all funds received at the Library, including the amount and source. In addition, a reconciliation of receipts to outstanding fines is not prepared to ensure fines are properly receipted and deposited. Also, the Library does not restrictively endorse checks immediately upon receipt.

Recommendation – The Library should endorse all checks immediately upon receipt, consistently maintain a complete listing of all receipts, including amounts and source, and perform a reconciliation of receipts to outstanding fines and account for any variance.

Response – The Library is looking into alternatives to implement and improve reconciliation of fines and internal controls.

Conclusion – Response accepted.

- (B) Computer Security – The City has a policy stating “Computer passwords are to be changed as prompted or at the discretion of the City Administrator and City Clerk. When additional users will be using a computer or software, they will be assigned a password of their own. Passwords are not to be shared. Confidentiality is a requirement.”

Passwords are not periodically changed and confidentiality of passwords has not been maintained between City employees.

Recommendation – The City should ensure all employees are aware of and follow all policies in place regarding changing passwords and password confidentiality.

Response – Staff reviewed the City’s Disaster Recovery Plan and Computer Security Policy and added additional requirements requiring staff to change computer passwords a minimum of every six months. Additionally, passwords are to remain confidential and not shared. Resolution 881 was approved as the City’s new Disaster Recovery Plan and Computer Security Policy on October 19, 2009.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of West Branch  
Schedule of Findings  
Year ended June 30, 2009

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Snow Removal and Mowing Policies – The City has approved ordinances to perform the necessary snow removal and mowing of property not properly maintained by property owners. The ordinances allow for the City to charge property owners for expenses incurred by the City.

The City is not consistently preparing billings for such reimbursements timely.

Recommendation – The City should develop policies and procedures to assist in the determination of the amount to be charged the property owner, billing the property owners timely and maintaining a record of amounts owed to the City.

Response – City Council passed Resolution 874, establishing fees for nuisance abatement and sidewalk clearing. The City Clerk is to be notified when City staff perform such services so an invoice may be prepared and sent to the property owner and, if necessary, lien proceedings may be initiated.

Conclusion – Response accepted.

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City of West Branch

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Carrie L. Livingston, CPA, Staff Auditor  
Jacqueline E. Guilick, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State