

CITY OF OAKVILLE

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2004

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City of Oakville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Thomas Young	Mayor	December 31, 2003
Rose Brees	Council Member	December 31, 2005
Mike Burns	Council Member	December 31, 2005
Daniel Crow	Council Member	December 31, 2003
Jim Jacks	Council Member	December 31, 2005
Nancy Walgren	Council Member	December 31, 2003
(After January 2004)		
Thomas Young	Mayor	December 31, 2007
Rose Brees	Council Member	December 31, 2005
Gayla Harshaw	Council Member	December 31, 2005
Jim Jacks	Council Member	December 31, 2005
Craig Brown	Council Member	December 31, 2007
Benita Grooms	Council Member	December 31, 2007
Joan Gerst	City Clerk/Treasurer	Appointed
William Matthews	Attorney	Appointed

CITY OF OAKVILLE



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Oakville, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Oakville, Iowa as of and for the year ended June 30, 2004, 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 Oakville's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I 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. I believe my audit provides a reasonable basis for my opinion.

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

In my 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, and each major fund of the City of Oakville as of June 30, 2004, and the respective changes in cash basis financial position for the year ended in conformity with the basis of accounting described in Note 1.

As described in Note 8 during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my report dated December 21, 2004 on my consideration of the City of Oakville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information of pages 7 through 11 and 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakville's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which is not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
Professional Corporation
December 21, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Oakville 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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 6.7%, or approximately \$9,553, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$2,335.
- Disbursements increased 22%, or approximately \$22,424, in fiscal 2004 from 2003. Public safety, public works, culture and recreation, and general government disbursements increased approximately \$4,556, \$4,371, \$8,362 and \$6,953, respectively.
- The City's total cash basis net assets increased .1%, or approximately \$190, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$1,110 and the assets of the business type activities increased approximately \$1,300.

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.

Basis of Accounting

The City of Oakville 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 accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader 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 of Oakville 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 of Oakville 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 and general government. 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 of Oakville 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, and 2) the Special Revenue Funds, such as Road Use Tax and Drainage District. 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 statements for governmental funds include 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 of Oakville 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 statements for proprietary funds include 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 of Oakville’s cash balance for governmental activities decreased by \$1,110 from a year ago. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Receipts:		
Program receipts:		
Charges for service	\$ 25,201	\$ 28,145
Operating grants, contributions and restricted interest	39,813	41,031
General receipts:		
Property tax	59,661	61,996
Licenses and permits	716	607
Grants and contributions not restricted to specific purposes	32	5,638
Unrestricted interest on investments	3,673	5,178
Other general receipts	4,189	243
Total Receipts	<u>133,285</u>	<u>142,838</u>
Disbursements:		
Public safety	18,518	13,962
Public works	52,162	47,791
Culture and recreation	14,810	6,448
General government	48,905	41,952
Total disbursements	<u>134,395</u>	<u>110,153</u>
(Decrease) increase in cash basis net assets	- 1,110	32,685
Cash basis net assets beginning of year	<u>314,038</u>	<u>281,353</u>
Cash basis net assets end of year	<u>\$ 312,928</u>	<u>\$ 314,038</u>

Revenues of the City’s governmental activities decreased 6.7%, or approximately \$9,553, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$2,335. The proposed budget for fiscal 2005 shows an additional decrease of \$1,299 for property taxes.

Disbursements increased 22%, or approximately \$24,242. Public safety, public works, culture and recreation and general government disbursements increased approximately \$4,556, \$4,371, \$8,362 and \$6,953, respectively.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 25,441	\$ 28,032
Sewer	50,130	48,570
General receipts:		
Unrestricted interest on investments	703	2,268
Total Receipts	76,274	78,870
Disbursements:		
Water	28,431	23,831
Sewer	17,618	20,021
Debt service	28,925	57,850
Total disbursements	74,974	101,702
Increase (decrease) in cash basis net assets	1,300	- 22,832
Cash basis net assets beginning of year	174,817	197,649
Cash basis net assets end of year	\$ 176,117	\$ 174,817

Total business type activities receipts for the fiscal year decreased slightly by \$2,596. This decrease is due in large part to the decrease in the number of people who are receiving service. Total disbursements decreased by \$26,728 primarily because two payments were made in fiscal 2003 on the sewer debt service.

Overall, the City of Oakville's cash basis net assets increased by \$190 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$1,110 and the assets of the business type activities increased approximately \$1,300.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Oakville completed the year, its governmental funds reported a combined fund balance of \$312,928, a decrease of \$1,110 below last year's total of \$314,038. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$21,347 from the prior year to \$102,354. Some of the main reasons for this decrease are the City did not receive the prior year's state allocation of \$5,001, property tax receipts were down \$2,355, and there were additional disbursements of \$4,500 for police and fire protection and \$6,977 for a new air conditioning and furnace system for the community building.
- The Road Use Tax Fund cash balance increased by \$18,972 to \$183,803 during the fiscal year. The City intends to use this money to upgrade the conditions of all City roads.

- The Drainage District Fund cash balance increased by \$1,265 to \$26,771 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$2,670 to \$72,638, due primarily to a decrease in the sale of water and increase in disbursements over the previous year.
- The Sewer Fund cash balance increased by \$3,970 to \$103,479, due primarily to reduction in debt service payments over the prior year.

BUDGETARY HIGHLIGHTS

The City of Oakville did not amend its budget for the fiscal year ended June 30, 2004. Disbursements exceeded budget in the public works function primarily because the budget did not include the actual charges for garbage of \$23,554, and the culture and recreation function, which did not allow for the purchase of air conditioning and furnace for the community building of \$6,977.

DEBT ADMINISTRATION

At June 30, 2004, the City of Oakville had approximately \$485,218 in long-term debt, compared to approximately \$492,003 last year, as shown below.

Outstanding Debt at Year-End

	June 30,	
	2004	2003
Revenue notes	\$ 485,218	\$ 492,003

The City of Oakville’s debt was reduced by \$6,785 in the fiscal year ended June 30, 2004.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City of Oakville’s elected and appointed officials and citizens plan on making some major improvements to the City’s streets in the fiscal year ending June 30, 2005. The City has added no major new programs or initiatives to the 2005 budget.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

The 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 Joan Gerst, City Clerk, P.O. Box 277, City of Oakville, Oakville, Iowa 52248.

CITY OF OAKVILLE

BASIC FINANCIAL STATEMENTS

City of Oakville
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2004

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants Contributions and Restricted Interest
Functions / Programs:			
Governmental activities:			
Public safety	\$ 18,518	\$ 716	\$ -
Public works	52,162	25,201	39,813
Culture and recreation	14,810	-	-
General government	48,905	-	-
Total governmental activities	<u>134,395</u>	<u>25,917</u>	<u>39,813</u>
Business type activities			
Water	28,431	25,441	-
Sewer	46,543	50,130	-
Total business type activities	<u>74,974</u>	<u>75,571</u>	<u>-</u>
Total	<u>\$ 209,369</u>	<u>\$ 101,488</u>	<u>\$ 39,813</u>
General Receipts:			
Property tax levied for:			
General purposes			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Sewer			
Unrestricted			
Total cash basis net assets			

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (17,802)	\$ -	\$ (17,802)
12,852	-	12,852
(14,810)	-	(14,810)
(48,905)	-	(48,905)
(68,665)	-	(68,665)
-	(2,990)	(2,990)
-	3,587	3,587
-	597	597
(68,665)	597	(68,068)
59,661	-	59,661
32	-	32
3,673	703	4,376
4,189	-	4,189
-	-	-
67,555	703	68,258
(1,110)	1,300	190
314,038	174,817	488,855
\$ 312,928	\$ 176,117	\$ 489,045
312,928	98,717	390,328
312,928	77,400	390,328
\$ 312,928	\$ 176,117	\$ 489,045

See notes to financial statements.

City of Oakville
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2004

	General	Special Revenue		Total
		Road Use Tax	Drainage District	
Receipts				
Property tax	\$ 59,661	\$ -	\$ -	\$ 59,661
Licenses and permits	716	-	-	716
Use of money and property	3,386	-	287	3,673
Intergovernmental	32	37,739	2,074	39,845
Charges for services	25,201	-	-	25,201
Miscellaneous	4,189	-	-	4,189
Total receipts	93,185	37,739	2,361	133,285
Disbursements				
Operating:				
Public safety	18,518	-	-	18,518
Public works	32,299	18,767	1,096	52,162
Culture and recreation	14,810	-	-	14,810
General government	48,905	-	-	48,905
Total disbursements	114,532	18,767	1,096	134,395
Excess (deficiency) of receipts over (under) disbursements	(21,347)	18,972	1,265	(1,110)
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in cash balances	(21,347)	18,972	1,265	(1,110)
Cash balances beginning of year	123,701	164,831	25,506	314,038
Cash balances end of year	<u>\$ 102,354</u>	<u>\$ 183,803</u>	<u>\$ 26,771</u>	<u>\$ 312,928</u>
Cash Basis Fund Balances				
Unreserved	102,354	183,803	26,771	312,928
Total cash basis fund balances	<u>\$ 102,354</u>	<u>\$ 183,803</u>	<u>\$ 26,771</u>	<u>\$ 312,928</u>

See notes to financial statements.

CITY OF OAKVILLE

City of Oakville
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2004

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for services	25,441	50,130	75,571
Total receipts	<u>25,441</u>	<u>50,130</u>	<u>75,571</u>
Operating disbursements:			
Business type activities	28,431	17,618	46,049
Total operating disbursements	<u>28,431</u>	<u>17,618</u>	<u>46,049</u>
(Deficiency) excess of operating receipts (under) over operating disbursements	<u>(2,990)</u>	<u>32,512</u>	<u>29,522</u>
Non-operating receipts (disbursements)			
Interest on investments	320	383	703
Debt service	-	(28,925)	(28,925)
Total non-operating receipts (disbursements)	<u>320</u>	<u>(28,542)</u>	<u>(28,222)</u>
(Deficiency) excess of receipts (Under) over disbursements	<u>(2,670)</u>	<u>3,970</u>	<u>1,300</u>
Net change in cash balances	(2,670)	3,970	1,300
Cash balances beginning of year	75,308	99,509	174,817
Cash balances end of year	<u>\$ 72,638</u>	<u>\$ 103,479</u>	<u>\$ 176,117</u>
Cash Basis Fund Balances			
Reserved for debt service	-	20,812	20,812
Reserved for maintenance and repairs	-	77,905	77,905
Unreserved	72,638	4,762	77,400
Total cash basis fund balances	<u>\$ 72,638</u>	<u>\$ 103,479</u>	<u>\$ 176,117</u>

See notes to financial statements.

City of Oakville
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oakville is a political subdivision of the State of Iowa located in Louisa County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens. The population of Oakville was 439 according to the 2000 census.

A. Reporting Entity

For financial reporting purposes, the City of Oakville has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Oakville has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. 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 or charges for services.

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

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

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

City of Oakville
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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 of 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 that are not paid from other funds.

Special Revenue:

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

The Drainage District Fund is used to account for expenses financed by drainage district taxes.

The City reports the following major proprietary funds:

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

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

City of Oakville
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The City of Oakville, Iowa 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 accounting principles generally accepted in the United States of America

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the general government function.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2004 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 did not have any funds invested in a security considered to be an investment by the Code of Iowa as of June 30, 2004.

NOTE 3 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use. Unused vacation hours are paid upon termination, retirement, or death. The City does not recognize these accumulations as disbursements until paid. The City had no liability for earned vacation leave payable to employees at June 30, 2004.

**City of Oakville
Notes to Financial Statements
For the Year Ended June 30, 2004**

NOTE 4– BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for revenue notes are as follows:

Year Ending June 30,	Revenue Notes	
	Principal	Interest
2005	\$ 0	\$ 0
2006	7,078	21,847
2007	7,396	21,529
2008	7,729	21,196
2009	8,077	20,848
2010 - 2014	46,174	98,451
2015 - 2019	57,542	87,083
2020 - 2024	71,709	72,916
2025 - 2029	89,362	55,263
2030 - 2034	111,361	33,264
2035 - 2037	<u>78,790</u>	<u>7,198</u>
Total	<u>\$485,218</u>	<u>\$439,595</u>

The annual payment due July 1, 2004 was paid in advance on June 30, 2004. Therefore, there was no principal and interest due for the year ending June 30, 2005.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate sewer revenue note sinking accounts for the purpose of making the note principal and interest payments when due.
- c. Additional monthly transfers of \$242 to sewer reserve and \$1,088 to sewer depreciation accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions, or repairs to the system.
- d. The gross receipts of the utility shall be deposited into a Sewer Revenue Fund which shall be used in maintaining and operating the utility.

City of Oakville
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 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.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$2,140, \$2,502, and \$2,282, respectively, equal to the required contributions for each year.

NOTE 6 – RISK MANAGEMENT

The City of Oakville 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.

NOTE 7 – COMMITMENT

The City of Oakville entered into a contract with Louisa County for police protection. The County, through the Louisa County Sheriff's Office, will supply police protection to the City at a cost of \$841 per month. The contract expired on June 30, 2004 and has been renewed for another two year term at a rate of \$878 per month for the year ending June 30, 2005 and \$915 per month for the year ending June 30, 2006.

City of Oakville
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 8 – ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

The government-wide financial statement reports the City’s governmental and business type activities. Implementation of these standards had no effect on the beginning balances of the City.

REQUIRED SUPPLEMENTARY INFORMATION

City of Oakville
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, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 59,661	\$ -	\$ 59,661
Licenses and permits	716	-	716
Use of money and property	3,673	703	4,376
Intergovernmental	39,845	-	39,845
Charges for services	25,201	75,571	100,772
Miscellaneous	4,189	-	4,189
Total receipts	<u>133,285</u>	<u>76,274</u>	<u>209,559</u>
Disbursements			
Public safety	18,518	-	18,518
Public works	52,162	-	52,162
Culture and recreation	14,810	-	14,810
General government	48,905	-	48,905
Debt service	-	28,925	28,925
Business type activities	-	46,049	46,049
Total disbursements	<u>134,395</u>	<u>74,974</u>	<u>209,369</u>
Excess of receipts over disbursements	(1,110)	1,300	190
Other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(1,110)	1,300	190
Balance, beginning of year	<u>314,038</u>	<u>174,817</u>	<u>488,855</u>
Balance, end of year	<u><u>\$ 312,928</u></u>	<u><u>\$ 176,117</u></u>	<u><u>\$ 489,045</u></u>

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 58,293	58,293	1,368
580	580	136
3,500	3,500	876
41,918	41,918	(2,073)
80,925	80,925	19,847
798	798	3,391
<u>186,014</u>	<u>186,014</u>	<u>23,545</u>
20,604	20,604	2,086
27,850	27,850	(24,312)
5,775	5,775	(9,035)
51,360	51,360	2,455
28,925	28,925	-
51,500	51,500	5,451
<u>186,014</u>	<u>186,014</u>	<u>(23,355)</u>
-	-	46,900
<u>(7,588)</u>	<u>(7,588)</u>	<u>(7,588)</u>
(7,588)	(7,588)	39,312
<u>215,556</u>	<u>215,556</u>	<u>(273,299)</u>
<u>\$ 207,968</u>	<u>\$ 207,968</u>	<u>\$ (233,987)</u>

See accompanying independent auditor's report.

City of Oakville
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2004

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 Internal Service Funds and Fiduciary Funds. 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 or fund type. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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. The budget was not amended during the year.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in two of the general government functions.

OTHER SUPPLEMENTARY INFORMATION

City of Oakville
Schedule of Indebtedness
For the Year Ended June 30, 2004

	Capital Loan Notes Sewer Revenue
Date of issue	August 1, 1996
Interest rates	4.500%
Amount originally issued	\$ 522,000
Balance, beginning of year	492,003
Issued during year	-
Redeemed during year	<u>6,785</u>
Balance, end of year	<u><u>\$ 485,218</u></u>
Interest paid	22,140
Interest due and unpaid	<u>\$ -</u>

See accompanying independent auditor's report.

City of Oakville
Bond and Note Maturities
For the Year Ended June 30, 2004

Sewer Revenue Capital Loan Notes, Series 1996
 Issued August 1, 1996

Year Ending June 30,	Interest Rates	Amount
2005	4.50%	-
2006	4.50%	7,078
2007	4.50%	7,396
2008	4.50%	7,729
2009	4.50%	8,077
2010	4.50%	8,440
2011	4.50%	8,820
2012	4.50%	9,217
2013	4.50%	9,632
2014	4.50%	10,065
2015	4.50%	10,518
2016	4.50%	10,992
2017	4.50%	11,486
2018	4.50%	12,003
2019	4.50%	12,543
2020	4.50%	13,108
2021	4.50%	13,698
2022	4.50%	14,314
2023	4.50%	14,958
2024	4.50%	15,631
2025	4.50%	16,335
2026	4.50%	17,070
2027	4.50%	17,838
2028	4.50%	18,640
2029	4.50%	19,479
2030	4.50%	20,356
2031	4.50%	21,272
2032	4.50%	22,229
2033	4.50%	23,229
2034	4.50%	24,275
2035	4.50%	25,367
2036	4.50%	26,509
2037	4.50%	26,914
Total		\$ 485,218

See accompanying independent auditor's report.

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

For the Last Four Years

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Receipts:				
Property tax	\$ 59,661	\$ 61,996	\$ 66,305	\$ 64,431
Other city tax	-	-	1,203	120
Licenses and permits	716	607	607	1,390
Use of money and property	3,673	5,178	7,521	9,475
Intergovernmental	39,845	46,669	43,652	45,190
Charges for service	25,201	28,145	11,356	-
Miscellaneous	4,189	243	1,245	8,459
Total	<u>\$ 133,285</u>	<u>\$ 142,838</u>	<u>\$ 131,889</u>	<u>\$ 129,065</u>
Disbursements:				
Operating:				
Public safety	18,518	13,962	14,402	16,294
Public works	52,162	47,791	40,395	16,079
Culture and recreation	14,810	6,448	4,033	2,427
General government	48,905	41,952	59,654	50,088
Total	<u>\$ 134,395</u>	<u>\$ 110,153</u>	<u>\$ 118,484</u>	<u>\$ 84,888</u>

See accompanying independent auditor's report.

CITY OF OAKVILLE



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

To the Honorable Mayor and
Members of the City Council
Oakville, Iowa

I have audited the financial statements of the City of Oakville as of and for the year ended June 30, 2004, and have issued my report thereon dated December 21, 2004. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior statutory comments have been resolved except for III-B-04 and III-J-04.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Oakville's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Oakville's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item II-A-04 is a material weakness. Prior reportable conditions have been resolved except for items II-A-04.

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 Oakville and other parties to whom the City of Oakville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Oakville during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
Professional Corporation
December 21, 2004

**City of Oakville
Schedule of Findings
For the Year Ended June 30, 2004**

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

- An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, and the posting of the cash receipts journal are all done by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**City of Oakville
Schedule of Findings
For the Year Ended June 30, 2004**

Part III: Other Findings Related to Statutory Reporting:

III-A-04

Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

III-B-04

Certified Budget – Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the general government functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-C-04

Questionable Disbursements – No expenditures for parties, banquets, or other entertainment for employees were noted that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-D-04

Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-04

Business Transactions – No business transactions between the City and City officials or employees were noted.

III-F-04

Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**City of Oakville
Schedule of Findings
For the Year Ended June 30, 2004**

Part III: Other Findings Related to Statutory Reporting: (Continued)

III-G-04

Council Meetings – No transactions were found that I believe should have been approved in the Council minutes but were not.

The Council went into closed session on April 7, 2004 and May 5, 2004. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response – We will comply with the Code requirements for closed sessions. We will publish minutes as required.

Conclusion – Response accepted.

III-H-04

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-I-04

Revenue Notes – The City complied with all requirements of the revenue note resolution.

III-J-04

Annual Financial Report – The City filed and published the annual financial report by the December 1, 2004 deadline. However, the amounts reported do not reconcile to the general ledger, primarily due to several transactions that were not posted, double posted, or otherwise posted in error. Also, the fund balances listed on the report do not reconcile to the cash balances of the City.

Recommendation – The City should amend its annual financial report to show the proper amounts. Also, as noted in II-B-04, the City should prepare monthly fund reconciliations to insure this report is properly filed in the future.

Response – We will consider this.

Conclusion – Response accepted.

City of Oakville

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Harter, CPA

Betty Thomas, CPA

News Release

For Release:

Ann M. Menke, CPA, PC, of West Point, Iowa, today released an audit report for the fiscal year ended June 30, 2004, on the City of Oakville, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City of Oakville as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$209,559 for the year ended June 30, 2004, a 5.5% decrease from 2003. The receipts included \$59,661 in property tax, \$46,669 from the state, \$102,191 from charges for service, \$39,813 from operating grants, contributions and restricted interest, \$3,673 from unrestricted investment earnings and \$4,221 from other general receipts.

Disbursements for the year totaled \$209,369 a 1.2% decrease from the prior year, and included \$15,518 for public safety, \$52,162 for public works, \$48,905 for general government. Also, disbursements for business type activities totaled \$74,974.

The significant decrease in receipts and increase in disbursements is due primarily to less revenue from business type activities, lower interest rates on investments, more money spent on police and fire protection, purchase of air conditioning and furnace for the community building and higher expenses for general government operations.

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