

CITY OF OAKVILLE

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

JUNE 30, 2005

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City of Oakville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Young	Mayor	January 1, 2007
Rose Brees	Council Member	January 1, 2006
Craig Brown	Council Member	January 1, 2007
Benita Grooms	Council Member	January 1, 2007
Gayla Harshaw	Council Member	January 1, 2006
Jim Jacks	Council Member	January 1, 2006
Joan Gerst	City Clerk/Treasurer	Appointed
William Matthews	Attorney	Appointed



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, each major fund, and the aggregate remaining fund information of the City of Oakville, Iowa as of and for the year ended June 30, 2005, 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 opinions 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 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 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 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 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, each major fund, and the aggregate remaining fund information of the City of Oakville as of June 30, 2005, and the respective changes in cash basis financial position for the year ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated April 12, 2006 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, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Budgetary comparison information on page 15 is not a required part of the basic financial statements, but is 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 required supplementary information. I did not audit the information and express no opinion on it.

The City of Oakville, Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted 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 three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 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
April 12, 2006

City of Oakville
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2005

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest
Functions / Programs:			
Governmental activities:			
Public safety	\$ 23,525	\$ 73	\$ -
Public works	151,628	27,274	31,668
Culture and recreation	4,255	1,688	-
General government	48,569	725	-
Total governmental activities	<u>227,977</u>	<u>29,760</u>	<u>31,668</u>
Business type activities			
Water	25,692	26,522	-
Sewer	44,870	49,457	-
Total business type activities	<u>70,562</u>	<u>75,979</u>	<u>-</u>
Total	<u>\$ 298,539</u>	<u>\$ 105,739</u>	<u>\$ 31,668</u>
General Receipts:			
Property tax levied for:			
General purposes			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
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
\$ (23,452)	\$ -	\$ (23,452)
(92,686)	-	(92,686)
(2,567)	-	(2,567)
(47,844)	-	(47,844)
(166,549)	-	(166,549)
-	830	830
-	4,587	4,587
-	5,417	5,417
(166,549)	5,417	(161,132)
63,193	-	63,193
278	-	278
2,682	724	3,406
515	-	515
550	-	550
(960)	960	-
66,258	1,684	67,942
(100,291)	7,101	(93,190)
312,928	176,117	489,045
\$ 212,637	\$ 183,218	\$ 395,855
212,637	94,672	94,672
212,637	88,546	301,183
\$ 212,637	\$ 183,218	\$ 395,855

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, 2005

	General	Special Revenue Road Use Tax	Other Non Major Governmental Fund	Total
Receipts				
Property tax	\$ 60,499	\$ -	\$ -	\$ 60,499
Licenses and permits	725	-	-	725
Use of money and property	4,054	-	316	4,370
Intergovernmental	866	31,668	2,694	35,228
Charges for services	23,540	-	-	23,540
Miscellaneous	3,734	-	-	3,734
Total receipts	93,418	31,668	3,010	128,096
Disbursements				
Operating:				
Public safety	23,525	-	-	23,525
Public works	33,743	103,518	14,367	151,628
Culture and recreation	4,255	-	-	4,255
General government	48,569	-	-	48,569
Total disbursements	110,092	103,518	14,367	227,977
(Deficiency) excess of receipts				
(Under) over disbursements	(16,674)	(71,850)	(11,357)	(99,881)
Other financing sources (uses)				
Sale of an asset	550	-	-	550
Operating transfers in	995	-	1,257	2,252
Operating transfers out	(2,217)	-	(995)	(3,212)
Total other financing sources	(672)	-	262	(410)
Net change in cash balances	(17,346)	(71,850)	(11,095)	(100,291)
Cash balances beginning of year	102,354	183,803	26,771	312,928
Cash balances end of year	\$ 85,008	\$ 111,953	\$ 15,676	\$ 212,637
Cash Basis Fund Balances				
Unreserved				
General fund	85,008	-	-	85,008
Special revenue fund	-	111,953	15,676	127,629
Total cash basis fund balances	\$ 85,008	\$ 111,953	\$ 15,676	\$ 212,637

See notes to financial statements.

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

As of and for the Year Ended June 30, 2005

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for services	26,522	49,457	75,979
Total receipts	<u>26,522</u>	<u>49,457</u>	<u>75,979</u>
Operating disbursements:			
Business type activities	25,692	15,945	41,637
Total operating disbursements	<u>25,692</u>	<u>15,945</u>	<u>41,637</u>
(Deficiency) excess of operating receipts (under) over operating disbursements	<u>830</u>	<u>33,512</u>	<u>34,342</u>
Non-operating receipts (disbursements)			
Interest on investments	329	395	724
Debt service	-	(28,925)	(28,925)
Total non-operating receipts (disbursements)	<u>329</u>	<u>(28,530)</u>	<u>(28,201)</u>
(Deficiency) excess of receipts (Under) over disbursements	1,159	4,982	6,141
Other financing sources (uses)			
Operating transfers in	960	-	960
Operating transfers out	-	-	-
Total other financing sources	<u>960</u>	<u>-</u>	<u>960</u>
Net change in cash balances	2,119	4,982	7,101
Cash balances beginning of year	72,638	103,479	176,117
Cash balances end of year	<u>\$ 74,757</u>	<u>\$ 108,461</u>	<u>\$ 183,218</u>
Cash Basis Fund Balances			
Reserved for debt service	-	28,925	28,925
Reserved for maintenance and repairs	-	65,747	65,747
Unreserved	74,757	13,789	88,546
Total cash basis fund balances	<u>\$ 74,757</u>	<u>\$ 108,461</u>	<u>\$ 183,218</u>

See notes to financial statements.

City of Oakville
Notes to Financial Statements
For the Year Ended June 30, 2005

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 and 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 – Cash Basis 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 – Cash Basis 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, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities and Net Assets – Cash Basis 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 that are not paid from other funds.

Special Revenue:

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

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 Rental 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, 2005

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, 2005, disbursements exceeded the amounts budgeted in the public safety and public works functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2005 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, 2005.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**City of Oakville
Notes to Financial Statements
For the Year Ended June 30, 2005**

NOTE 3– BONDS AND NOTES PAYABLE

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

Year Ending June 30,	Revenue Notes	
	Principal	Interest
2006	\$ 0	\$ 0
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>78,778</u>	<u>7,198</u>
Total	<u>\$478,128</u>	<u>\$417,748</u>

The annual payment due July 1, 2005 was paid in advance on June 30, 2005. Therefore, there was no principal and interest due for the year ending June 30, 2006.

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, 2005

NOTE 4 – 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 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$2,272, \$2,140, and \$2,502, respectively, equal to the required contributions for each year.

NOTE 5 – 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's approximate liability for earned vacation leave payable to employees at June 30, 2005 was \$5. This liability has been computed based on rates of pay as of June 30, 2005.

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 \$878 per month for the year ending June 30, 2005 and \$915 per month for the year ending June 30, 2006.

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, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 60,499	\$ -	\$ 60,499
Licenses and permits	725	-	725
Use of money and property	4,370	724	5,094
Intergovernmental	35,228	-	35,228
Charges for services	23,540	75,979	99,519
Miscellaneous	3,734	-	3,734
Total receipts	<u>128,096</u>	<u>76,703</u>	<u>204,799</u>
Disbursements			
Public safety	23,525	-	23,525
Public works	151,628	-	151,628
Culture and recreation	4,255	-	4,255
Community and economic development	-	-	-
General government	48,569	-	48,569
Debt service	-	28,925	28,925
Business type activities	-	41,637	41,637
Total disbursements	<u>227,977</u>	<u>70,562</u>	<u>298,539</u>
Excess of receipts over disbursements	(99,881)	6,141	(93,740)
Other financing sources, net	<u>(410)</u>	<u>960</u>	<u>550</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(100,291)	7,101	(93,190)
Balance, beginning of year	<u>312,928</u>	<u>176,117</u>	<u>489,045</u>
Balance, end of year	<u>\$ 212,637</u>	<u>\$ 183,218</u>	<u>\$ 395,855</u>

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 58,362	58,362	2,137
615	615	110
6,300	6,300	(1,206)
36,656	36,656	(1,428)
68,599	68,599	30,920
12,800	12,800	(9,066)
<u>183,332</u>	<u>183,332</u>	<u>21,467</u>
19,811	19,811	(3,714)
17,390	17,390	(134,238)
6,575	6,575	2,320
200	200	200
58,877	58,877	10,308
28,925	28,925	-
51,554	51,554	9,917
<u>183,332</u>	<u>183,332</u>	<u>(115,207)</u>
-	-	136,674
-	-	(550)
-	-	136,124
<u>207,968</u>	<u>207,968</u>	<u>(281,077)</u>
<u>\$ 207,968</u>	<u>\$ 207,968</u>	<u>\$ (144,953)</u>

See accompanying independent auditor's report.

City of Oakville
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

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 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.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety and public works functions.

OTHER SUPPLEMENTARY INFORMATION

City of Oakville
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2005

	Drainage District	Total
Receipts		
Use of money and property	\$ 316	\$ 316
Intergovernmental	2,694	2,694
Total receipts	<u>3,010</u>	<u>3,010</u>
Disbursements		
Operating		
Public works	14,367	14,367
Total disbursements	<u>14,367</u>	<u>14,367</u>
(Deficiency) excess of receipts		
(Under) over disbursements	(11,357)	(11,357)
Other financing sources (uses)		
Operating transfers in	1,257	1,257
Operating transfers out	(995)	(995)
Total other financing sources	<u>262</u>	<u>262</u>
Net change in cash balances	(11,095)	(11,095)
Cash balances beginning of year	<u>26,771</u>	<u>26,771</u>
Cash balances end of year	<u>\$ 15,676</u>	<u>\$ 15,676</u>
Cash Basis Fund Balances		
Special revenue fund	<u>15,676</u>	<u>15,676</u>
Total cash basis fund balances	<u>\$ 15,676</u>	<u>\$ 15,676</u>

See accompanying independent auditor's report.

City of Oakville
Schedule of Indebtedness
For the Year Ended June 30, 2005

	Capital Loan Notes Sewer Revenue
Date of issue	August 1, 1996
Interest rates	4.500%
Amount originally issued	\$ 522,000
Balance, beginning of year	485,218
Issued during year	-
Redeemed during year	<u>7,090</u>
Balance, end of year	<u><u>\$ 478,128</u></u>
Interest paid	21,835
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, 2005

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

Year Ending June 30,	Interest Rates	Amount
2006	4.50%	-
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%	26,902
Total		<u>\$ 478,128</u>

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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Receipts:				
Property tax	\$ 60,499	\$ 59,661	\$ 61,996	\$ 66,305
Other city tax	-	-	-	1,203
Licenses and permits	725	716	607	607
Use of money and property	4,370	3,673	5,178	7,521
Intergovernmental	35,228	39,845	46,669	43,652
Charges for service	23,540	25,201	28,145	11,356
Miscellaneous	3,734	4,189	243	1,245
Total	<u>\$ 128,096</u>	<u>\$ 133,285</u>	<u>\$ 142,838</u>	<u>\$ 131,889</u>
Disbursements:				
Operating:				
Public safety	23,525	18,518	13,962	14,402
Public works	151,628	52,162	47,791	40,395
Culture and recreation	4,255	14,810	6,448	4,033
General government	48,569	48,905	41,952	59,654
Total	<u>\$ 227,977</u>	<u>\$ 134,395</u>	<u>\$ 110,153</u>	<u>\$ 118,484</u>

See accompanying independent auditor's report.



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
Oakville, Iowa

I 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 Oakville as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated April 12, 2006. 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 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 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 opinions 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 reportable 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 caused by error or fraud 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-05 is a material weakness.

Compliance and Other Matters

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, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 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-05 and III-J-05.

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

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
April 12, 2006

**City of Oakville
Schedule of Findings
For the Year Ended June 30, 2005**

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-05

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, posting of the cash receipts journal, payroll processing and disbursement, and cash disbursements and recording 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, 2005**

Part III: Other Findings Related to Statutory Reporting:

III-A-05

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, 2005.

III-B-05

Certified Budget – Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the public safety and public works 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-05

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-05

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

III-E-05

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

III-F-05

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.

III-G-05

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

**City of Oakville
Schedule of Findings
For the Year Ended June 30, 2005**

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

III-H-05

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-05

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

III-J-05

Annual Financial Report – The City filed and published the annual financial report by the December 1, 2005 deadline. However, the amounts reported do not reconcile to the general ledger, primarily due to several transactions that were posted in error. Also, the fund balances 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.

Response – We will consider this.

Conclusion – Response accepted.

City of Oakville

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Betty Thomas, CPA