

City of West Burlington

**Independent Auditor's Reports
Financial Statements and Supplementary Information
Auditor's Report on Compliance
Comments and Recommendations**

June 30, 2004

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City of West Burlington

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hans Trousil	Mayor	December, 2005
Marc Pilger	Council Member	December, 2005
John Johnson	Council Member	December, 2005
Rod Crowner	Council Member	December, 2007
Therese Lees	Council Member	December, 2007
Richard Raleigh	Council Member	December, 2007
Gregg J. Mandsager	City Administrator	Not Elected
Leslie L. Sattler	Finance Officer	Not Elected
Kelly D. Fry	City Clerk	Not Elected

James Walker, CPA
James Egerton, CPA
Kimberly Hunsaker, CPA
Melodee Walker, CPA
Stephanie Hoschek, CPA
William Hesse, LPA



214 North Fourth Street
PO Box 547
Burlington IA 52601

319 752 6348
800 757 6348
319 752 8644 fax
info@walkeregerton.com

Independent Auditor's Report

To the Honorable Mayor and Members of City Council
City of West Burlington, Iowa

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 Burlington, 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 West Burlington'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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Burlington as of June 30, 2004, 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.

As described in Note 13, 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, we have also issued our reports dated August 13, 2004 on our consideration of the City of West Burlington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 and budgetary comparison information on pages 20 through 21 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Burlington'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 year ended June 30, 2003 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information, as listed in the table of contents, 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.

Walker Egerton & Hunsaker PC

August 13, 2004

City of West Burlington Management's Discussion and Analysis

The City of West Burlington 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 29.2%, or approximately \$2,068,000, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$82,000 due to a reduction in State reimbursements and the rollback. The City borrowed less and accordingly bond proceeds decreased \$2,275,000.
- Disbursements increased 43.2%, or approximately \$1,982,500 in fiscal 2004 from fiscal 2003. Debt service disbursements decreased approximately \$372,000. Capital projects increased \$1,933,000.
- The City's total cash basis net assets decreased more than 37%, or approximately \$1,528,700, from June 30, 2003 to June 30, 2004.
- The City began construction of its new City Hall and Police department in 2003. The estimated cost of \$1.7 million was funded through local options sales tax and tax increment financing at no additional cost to West Burlington residents and without an increase in property taxes.
- The City continued its street improvement plan which has been funded solely through tax increment financing after taking advantage of low interest rates to secure a general obligation bond and wrap up its five year street plan in two and one half years.

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 Statements consist 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 statements 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 to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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, 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 Statements

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, debt service and capital projects. 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:

A) 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 Fund. 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.

B) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for the water, sewer, and solid waste funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

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 sharply from a year ago, decreasing from \$4.08 million to \$2.55 million. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	<u>2004</u>	Year ended June 30, <u>2003</u>
Receipts and transfers:		
Property tax	\$ 978	\$ 1,060
Tax increment financing collections	1,399	1,334
Local option sales tax	420	365
Road use funds	274	257
Grants and reimbursements	136	132
Property tax replacement	-	59
Use of money and property	69	48
Charges for services	94	93
Other receipts	330	145
Bond proceeds	1,314	3,589
Transfers, net	<u>30</u>	<u>-</u>
Total receipts and transfers	<u>5,044</u>	<u>7,082</u>
Disbursements:		
Public safety	1,014	950
Public works	508	440
Culture and recreation	74	80
Community and economic development	287	64
General government	247	175
Debt service	1,131	1,503
Capital projects	<u>3,312</u>	<u>1,379</u>
Total disbursements	<u>6,573</u>	<u>4,591</u>
Increase (decrease) in cash basis net assets	(1,529)	2,491
Cash basis net assets beginning of year	<u>4,077</u>	<u>1,586</u>
Cash basis net assets end of year	<u>\$ 2,548</u>	<u>\$ 4,077</u>

The City's total receipts for governmental activities decreased by 29.2%, or \$2,068,000. The total cost of all programs and services increased by approximately \$1,982,500 or 43%, with no new programs added this year. The only significant increase in receipts was primarily the result of proceeds received from the issuance of urban renewal tax increment financing revenue bonds.

The City reduced property tax rates in 2003/2004 to \$9.75 per \$1,000 of valuation and absorbed the loss in property taxes due to the state reduction in the rollback percentage and reduced state reimbursements. Increased costs in employee benefits were offset when the City reduced its annual health insurance premium by increasing the deductible and out-of-pocket maximum through self-funding a greater portion of the risk. Additionally, the City utilized reserves, and where appropriate, transferred cost to local option sales tax and our tax increment financing district.

The cost of all governmental activities this year was \$6.572 million compared to \$4.590 million last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was \$6.288 million because some of the cost was paid by those directly benefited from the programs (\$147,900) or by other governments and organizations that subsidized certain programs with grants and contributions (\$136,200). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2004 from approximately \$454,000 to approximately \$372,500, principally due to a decrease in operating and capital grants, contributions, local option sales tax revenues and unrestricted interest. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$6,288,400 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	Year Ended June 30,	
	2004	2003
Program receipts		
Water charges	\$ 724	\$ 709
Sewer charges	354	353
Other miscellaneous receipts	46	78
Total receipts	<u>1,124</u>	<u>1,140</u>
Disbursements and transfers:		
Water	569	630
Sewer	543	393
Transfers	30	-
Total disbursements and transfers	<u>1,142</u>	<u>1,023</u>
Increase (decrease) in cash balance	(18)	117
Cash basis net assets beginning of year	<u>1,146</u>	<u>1,029</u>
Cash basis net assets end of year	<u>\$ 1,128</u>	<u>\$ 1,146</u>

Total business type activities receipts for the fiscal year were \$1.124 million compared to \$1.140 million last year. This decrease was due primarily to the receipt of bond proceeds in the prior year. The cash balance decreased by approximately \$18,000. Total disbursements and transfers for the fiscal year increased by approximately 8.75% to a total of \$1.142 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$713,900, a decrease of \$425,300 from the prior year. The City has and will continue to aggressively pursue health insurance benefit concessions from its various collective bargaining units. The construction of the new city hall and police station accounts for a large portion of this decrease as general fund resources allowed the City to create an internal loan for purposes of repaying City TIF accounts which were dedicated (along with local options sales tax) to construct the new facilities.
- The Road Use Tax Fund (RUTF) cash balance decreased by \$75,000 to \$35,900 during the fiscal year. This decrease is attributable to the City spending down the RUTF balance. State road tax funds are distributed based upon population and road miles and accordingly, the City's portion of these funds is larger as it has taken on additional road miles through agreement and by state law.
- Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. 50% of these Option Sales Tax revenues go to the general fund, while the other 50% goes to pay for capital improvement projects. At the end of the fiscal year, the cash balance was \$240,500, a decrease of \$78,200 from the previous year. The decrease was the result of proceeds of \$419,700 received from sales tax, \$340,400 transferred to other funds, and \$157,600 spent on government activities.

Proprietary Funds

The cash balance of the Enterprise Funds decreased by approximately \$18,000 to \$1,127,800.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 20, 2004 and resulted in an increase in operating disbursements related to a cost overrun of approximately \$2.780 million on various capital projects including construction of the new city hall and police station and our fast paced street reconstruction and paving program. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$5,315,000 in bonds and other long-term debt, compared to approximately \$4,870,000 last year, as shown below.

Outstanding debt at year-end (in thousands) (Expressed in Thousands)	June 30,	
	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 3,995	\$ 4,870
Urban renewal tax increment financing	<u>1,320</u>	<u>-</u>
Total	<u>\$ 5,315</u>	<u>\$ 4,870</u>

Debt increased as a result of issuing general obligation bonds for multiple years of a five year street plan and refinancing previous debt. In addition, the City issued urban renewal tax increment financing revenue bonds for the purpose of defraying a portion of the costs of carrying out an economic development project of the City.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt and urban renewal tax increment financing revenue bonds of \$5.31 million is below its constitutional debt limit of \$8.55 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and fees that will be charged for various City activities. Those factors may include the economy, employment rates, operating expenses, capital projects, and increases in service and state mandates.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

Multiple indicators are taken into account when adopting the budget for fiscal year 2004/2005. Receipts and disbursements were decreased by 7% for fiscal year 2004/2005. Even with this reduction, expenditures exceed revenues by \$1,817,811. Most of the excess expenditures will be used to pay for capital street projects which the City bonded for in fiscal year 2002/2003.

Also, local option sales tax (\$323,620), TIF (\$123,274) and sewer (\$58,196) expenditures will exceed revenues. the City has enough reserve for sufficient cash flow for fiscal year 2004/2005.

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. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the City Clerk, City of West Burlington, 122 Broadway, West Burlington, Iowa 52655.

Respectfully submitted,

Gregg J. Mandsager
City Administrator

City of West Burlington
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2004

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Public safety	\$ 1,014,372	\$ 51,121	\$ 77,778	\$ 39,998	\$ (845,475)	\$ -	\$ (845,475)
Public works	507,960	72,642	5,027	-	(430,291)	-	(430,291)
Health and social services	-	-	-	-	-	-	-
Culture and recreation	73,754	23,472	4	-	(50,278)	-	(50,278)
Community and economic development	287,374	700	35	-	(286,639)	-	(286,639)
General government	246,845	12	13,354	-	(233,479)	-	(233,479)
Debt service	1,130,716	-	-	-	(1,130,716)	-	(1,130,716)
Capital projects	3,311,529	-	-	-	(3,311,529)	-	(3,311,529)
Total government activities	6,572,550	147,947	96,198	39,998	(6,288,407)	-	(6,288,407)
Business type activities							
Water	569,386	724,207	-	-	-	154,821	(154,821)
Sewer	543,421	353,507	-	-	-	(189,914)	189,914
Total business type activities	1,112,807	1,077,714	-	-	-	(35,093)	35,093
Total	\$ 7,685,357	\$ 1,225,661	\$ 96,198	\$ 39,998	(6,288,407)	(35,093)	(6,323,500)
General Receipts:							
Property tax levied for:							
General purposes					814,814	-	814,814
Tax increment financing					1,399,350	-	1,399,350
Debt service					170,149	-	170,149
Local option sales tax					419,663	-	419,663
Road use tax					273,987	-	273,987
Unrestricted investment earnings					68,661	6,731	75,392
Bond proceeds					1,313,528	-	1,313,528
Transfers					30,314	(30,314)	-
Miscellaneous					269,785	40,852	310,637
Total general receipts and transfers					4,760,251	17,269	4,777,520
Change in cash basis net assets					(1,528,156)	(17,824)	(1,545,980)
Cash basis net assets beginning of year					4,077,095	1,145,773	5,222,868
Cash basis net assets end of year					\$ 2,548,939	\$ 1,127,949	\$ 3,676,888
Cash Basis Net Assets							
Restricted:							
Streets					\$ 35,911	\$ -	\$ 35,911
Sales Tax					152,429	-	152,429
Other purposes					240,536	-	240,536
Unrestricted					2,120,063	1,127,949	3,248,012
Total cash basis net assets					\$ 2,548,939	\$ 1,127,949	\$ 3,676,888

See notes to financial statements.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

	Special Revenue						Other Nonmajor Governmental	Total
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects		
Receipts:								
Property tax	\$ 808,103	\$ -	\$ -	\$ -	\$ 170,149	\$ -	\$ -	\$ 978,252
Tax increment financing collections	-	-	-	1,399,350	-	-	-	1,399,350
Other taxes	5,832	-	419,663	-	878	-	-	426,373
Use of money and property	39,786	-	-	-	-	28,875	-	68,661
License and permits	55,398	-	-	-	-	-	-	55,398
Intergovernmental	98,546	273,987	-	-	-	-	-	372,533
Charges for services	94,223	-	-	-	-	-	-	94,223
Miscellaneous	69,387	-	-	1,950	-	199,892	34,533	305,762
Total receipts	1,171,275	273,987	419,663	1,401,300	171,027	228,767	34,533	3,700,552
Disbursements:								
Operating:								
Public safety	944,134	-	38,366	-	-	-	31,872	1,014,372
Public works	187,314	297,705	18,263	-	-	4,678	-	507,960
Culture and recreation	72,679	-	-	-	-	-	1,075	73,754
Community and economic development	9,374	-	-	278,000	-	-	-	287,374
General government	196,845	-	-	50,000	-	-	-	246,845
Debt service	-	-	-	13,690	1,117,026	-	-	1,130,716
Capital projects	1,679,801	47,525	100,927	44,245	-	1,439,031	-	3,311,529
Total disbursements	3,090,147	345,230	157,556	385,935	1,117,026	1,443,709	32,947	6,572,550
Excess of receipts over disbursements	(1,918,872)	(71,243)	262,107	1,015,365	(945,999)	(1,214,942)	1,586	(2,871,998)
Other financing sources (uses):								
Bond proceeds	1,000,000	-	-	313,528	-	-	-	1,313,528
Operating transfers in (out)	494,155	(3,727)	(340,351)	(854,892)	856,418	(167,500)	46,211	30,314
Net change in cash balances	424,717	(74,970)	(78,244)	474,001	(89,581)	(1,382,442)	47,797	(1,528,156)
Cash balances beginning of year	1,139,184	110,881	318,780	(1,008,062)	86,743	3,325,037	104,532	4,077,095
Cash balances end of year	\$ 714,467	\$ 35,911	\$ 240,536	\$ (534,061)	\$ (2,838)	\$ 1,942,595	\$ 152,329	\$ 2,548,939
Cash Basis Fund Balances								
Reserved:								
Debt service	\$ -	\$ -	\$ -	\$ (534,061)	\$ (2,838)	\$ -	\$ -	\$ (536,899)
Unreserved:								
General fund	714,467	-	-	-	-	-	-	714,467
Special revenue fund	-	35,911	240,536	-	-	-	152,329	428,776
Capital projects fund	-	-	-	-	-	1,942,595	-	1,942,595
Total cash basis fund balances	\$ 714,467	\$ 71,822	\$ 240,536	\$ (534,061)	\$ (2,838)	\$ 1,942,595	\$ 152,329	\$ 2,584,850

See notes to financial statements.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2004

	Enterprise Funds				
	<u>Water Service</u>	<u>Equipment Reserve</u>	<u>Sewer Service</u>	<u>Equipment Reserve</u>	<u>Total</u>
Receipts:					
Use of money and property:					
Charges for services	\$ 724,207	\$ -	\$ 353,507	\$ -	\$ 1,077,714
Interest	125	-	6,606	-	6,731
Special assessments	-	-	7,737	-	7,737
Miscellaneous	<u>27,652</u>	<u>-</u>	<u>5,463</u>	<u>-</u>	<u>33,115</u>
Total receipts	<u>751,984</u>	<u>-</u>	<u>373,313</u>	<u>-</u>	<u>1,125,297</u>
Disbursements:					
Business type activities					
Operations	560,692	-	370,883	-	931,575
Capital outlay	8,694	-	172,538	-	181,232
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>569,386</u>	<u>-</u>	<u>543,421</u>	<u>-</u>	<u>1,112,807</u>
Excess (deficiency) of receipts over disbursements	<u>182,598</u>	<u>-</u>	<u>(170,108)</u>	<u>-</u>	<u>12,490</u>
Other financing sources (uses):					
Operating transfers in	-	10,000	-	10,000	20,000
Operating transfers out	<u>(35,572)</u>	<u>-</u>	<u>(14,742)</u>	<u>-</u>	<u>(50,314)</u>
	<u>(35,572)</u>	<u>10,000</u>	<u>(14,742)</u>	<u>10,000</u>	<u>(30,314)</u>
Net change in cash balances	147,026	10,000	(184,850)	10,000	(17,824)
Cash balances, beginning of year	<u>443,750</u>	<u>84,000</u>	<u>556,920</u>	<u>61,103</u>	<u>1,145,773</u>
Cash balances, end of year	<u>\$ 590,776</u>	<u>\$ 94,000</u>	<u>\$ 372,070</u>	<u>\$ 71,103</u>	<u>\$ 1,127,949</u>
Cash Basis Fund Balances					
Reserved for equipment replacement	\$ -	\$ 94,000	\$ -	\$ 71,103	\$ 165,103
Unreserved	<u>590,776</u>	<u>-</u>	<u>372,070</u>	<u>-</u>	<u>962,846</u>
Total cash basis fund balances	<u>\$ 590,776</u>	<u>\$ 94,000</u>	<u>\$ 372,070</u>	<u>\$ 71,103</u>	<u>\$ 1,127,949</u>

See notes to financial statements.

City of West Burlington
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

The City of West Burlington is a political subdivision of the State of Iowa located in Des Moines County. It was first incorporated in 1884 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.

Reporting Entity

For financial reporting purposes, the City of West Burlington 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 has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Des Moines County Solid Waste Commission and Southeast Iowa Regional Airport Authority Board. Both of these organizations have financial statements available at City Hall.

Other organizations which City officials are members of are 28E purchasing arrangements, regional planning commission, E911 joint service boards, Southeast Iowa area safety support organizations, ambulance associations, and drug task force.

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. 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 services.

City of West Burlington
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 that are not paid from other funds.

Special Revenue:

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

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

City of West Burlington
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

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.

Measurement Focus and Basis of Accounting

The City of West Burlington 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.

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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, no disbursements exceeded the amounts budgeted in the general government and business type activities functions.

Note 2. 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 covered 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 \$69,900, \$65,900, and \$65,770, respectively, equal to the required contributions for each year.

City of West Burlington
Notes to Financial Statements
Year Ended June 30, 2004

Note 2. Pension and Retirement Benefits (continued)

International City Management Association

The Iowa Public Employees Retirement System regulations allows City Administrators to exempt themselves from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Administrator which allows up to 25% of salary with a maximum of \$11,000. The City contributed 7% for the current fiscal year. For the years ended June 30, 2004, 2003, and 2002, these contributions totaled \$4,410, \$3,980, and \$3,580, respectively.

Note 3. Bonds and Notes Payable

Bond Indebtedness

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

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>		<u>Urban Renewal Tax Increment Financing (TIF) Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 920,000	\$ 127,223	\$ 200,000	\$ 44,435	\$ 1,120,000	\$ 171,658
2006	600,000	98,923	225,000	38,529	825,000	137,452
2007	625,000	86,008	225,000	32,115	850,000	118,123
2008	645,000	62,320	225,000	25,609	870,000	87,929
2009	390,000	36,200	225,000	18,915	615,000	55,115
2010-2014	815,000	38,560	150,000	46,636	965,000	85,196
2015-2016	-	-	70,000	6,265	70,000	6,265
	<u>\$ 3,995,000</u>	<u>\$ 449,234</u>	<u>\$ 1,320,000</u>	<u>\$ 212,504</u>	<u>\$ 5,315,000</u>	<u>\$ 661,738</u>

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Financing and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the Tax Increment Financing shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The interest rate on the general obligation bonds range from 2.95% to 6.0%. The total interest expense recorded for the year ended June 30, 2004 was \$254,390.

See the statement of indebtedness regarding the details of the development agreement.

City of West Burlington
Notes to Financial Statements
Year Ended June 30, 2004

Note 4. Cash and 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

The City recorded interest receipts during the year of \$56,100.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2004, primarily relating to the General Fund is \$67,200, based on rates of pay in effect at June 30, 2004.

Note 6. Risk Management

The City of West Burlington 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. Related Party Transactions

No transactions were noted during the course of the audit between the City and City officials.

Note 8. Commitments

The City entered a five year agreement with the Quad-Township Fire Association (consisting of Concordia, Flint River, Tama and Union Townships), in January 2004. The City agrees to answer all fire and emergency calls in the Township areas; and the Association will pay the members and officers of the West Burlington Volunteer Fire Department for these calls. The City also agrees to house and store the Association's fire fighting vehicles and equipment for an annual rental of \$5,000.

City of West Burlington
Notes to Financial Statements
Year Ended June 30, 2004

Note 8. Commitments (continued)

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City are as follows:

City Hall	\$ 203,500
Ethanol road	240,900
Street construction	1,715,200
Beaverdale interchange	63,500
Sewer improvements	<u>15,000</u>
	<u>\$ 2,238,100</u>

Note 9. Joint Venture

The City is a participant in the Des Moines County Regional Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the fifteen-member board. Financial statements of the Waste Commission are available at the Commission office, 1818 West Burlington Avenue, West Burlington, Iowa.

Note 10. Industrial Development Revenue Bonds

The City has issued a total of \$4,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the tenants of the properties constructed, and the bond principal and interest does not constitute liabilities of the City.

Note 11. Deficit Fund Balance

The Special Revenue Funds, Urban Renewal Tax Increment account, had a deficit balance of \$534,061 at June 30, 2004. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of annual TIF collections. The Debt Service Fund had a deficit balance of \$2,838. This deficit will be eliminated upon transfer of funds.

City of West Burlington
Notes to Financial Statements
Year Ended June 30, 2004

Note 12. Self-Insured Health Benefits

The City of West Burlington has agreed with its employees to provide certain health benefits. The City pays 100% of the premium for health insurance of the non-union employees, and pays 100% of the premium for single coverage for union employees. The union employee pays 20% of the difference between the single and the family policy. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$200 single and \$400 family. The City's cost of this reimbursement for the year ended June 30, 2004 was approximately \$44,700.

Note 13. Accounting Change

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. Nonmajor funds are presented in total in one column.

Note 14. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to:	
General fund	\$ 494,155
Insurance reserve	25,297
Beaverdale project	20,914
Debt service	<u>1,526</u>
	<u>\$ 541,892</u>
Transfer from:	
Water revenue	\$ 30,314
Road use	3,727
Local option	340,351
Capital projects	<u>167,500</u>
	<u>\$ 541,892</u>

**City of West Burlington
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Actual to Budget
Year Ended June 30, 2004**

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Net</u>	Budgeted <u>Original</u>	Amounts <u>Final</u>	Final to Net <u>Variance</u>
Receipts:							
Property tax	\$ 978,252	\$ -	\$ -	\$ 978,252	\$ 896,096	\$ 896,096	\$ 82,156
Tax increment financing collections	1,399,350	-	-	1,399,350	1,321,425	1,321,425	77,925
Other city taxes	426,373	-	-	426,373	434,025	434,025	(7,652)
Use of money and property	68,661	6,731	-	75,392	67,800	67,800	7,592
Licenses and permits	55,398	-	-	55,398	57,160	57,160	(1,762)
Intergovernmental	372,533	-	-	372,533	376,300	376,300	(3,767)
Charges for service	94,223	1,077,714	-	1,171,937	1,864,369	1,864,369	(692,432)
Special assessments	-	7,737	-	7,737	-	-	7,737
Miscellaneous	<u>305,762</u>	<u>33,115</u>	<u>83,931</u>	<u>254,946</u>	<u>342,113</u>	<u>342,113</u>	<u>(87,167)</u>
Total receipts	<u>3,700,552</u>	<u>1,125,297</u>	<u>83,931</u>	<u>4,741,918</u>	<u>5,359,288</u>	<u>5,359,288</u>	<u>(617,370)</u>
Disbursements:							
Public safety	1,014,372	-	82,345	932,027	993,849	1,131,538	199,511
Public works	507,960	-	-	507,960	515,967	531,362	23,402
Culture and recreation	73,754	-	-	73,754	78,451	81,451	7,697
Community and economic development	287,374	-	-	287,374	170,346	448,346	160,972
General government	246,845	-	-	246,845	338,532	306,803	59,958
Debt service	1,130,716	-	-	1,130,716	983,588	1,157,774	27,058
Capital projects	3,311,529	-	-	3,311,529	2,153,456	4,146,510	834,981
Business type activities	-	1,112,807	-	1,112,807	2,040,437	2,101,917	989,110
Non-program	-	-	-	-	-	-	-
Total disbursements	<u>6,572,550</u>	<u>1,112,807</u>	<u>82,345</u>	<u>7,603,012</u>	<u>7,274,626</u>	<u>9,905,701</u>	<u>2,302,689</u>
Excess (deficiency) of receipts over disbursements	(2,871,998)	12,490	1,586	(2,861,094)	(1,915,338)	(4,546,413)	
Other financing sources	<u>1,343,842</u>	<u>(30,314)</u>	<u>-</u>	<u>1,313,528</u>	<u>1,307,790</u>	<u>3,938,865</u>	
Net change in cash balances	(1,528,156)	(17,824)	1,586	(1,547,566)	(607,548)	(607,548)	
Balances beginning of year	<u>4,077,095</u>	<u>1,145,773</u>	<u>28,238</u>	<u>5,194,630</u>	<u>1,834,109</u>	<u>1,834,109</u>	
Balances end of year	<u>\$ 2,548,939</u>	<u>\$ 1,127,949</u>	<u>\$ 29,824</u>	<u>\$ 3,647,064</u>	<u>\$ 1,226,561</u>	<u>\$ 1,226,561</u>	

See accompanying independent auditor's report.

City of West Burlington
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 blended component units, Internal Service, non-expendable trust, and agency funds (when they exist). 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, a budget amendment increased budgeted disbursements by \$2,631,075. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

	<u>Meter Deposits</u>	<u>Fourth of July Celebration</u>	<u>Medical Insurance</u>	<u>SE Iowa Safety and Support</u>	<u>Other Programs</u>	<u>Total</u>
Receipts:						
CTAA	\$ -	\$ -	\$ -	\$ -	\$ 49,398	\$ 49,398
Miscellaneous	<u>726</u>	<u>4,200</u>	<u>-</u>	<u>28,619</u>	<u>988</u>	<u>34,533</u>
Total receipts	<u>726</u>	<u>4,200</u>	<u>-</u>	<u>28,619</u>	<u>50,386</u>	<u>83,931</u>
Disbursements:						
<u>Public Safety:</u>						
Contractual services	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,872</u>	<u>49,398</u>	<u>81,270</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,872</u>	<u>49,398</u>	<u>81,270</u>
<u>Culture & Recreation:</u>						
Contractual services	<u>-</u>	<u>1,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075</u>
	<u>-</u>	<u>1,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075</u>
Total disbursements	<u>-</u>	<u>1,075</u>	<u>-</u>	<u>31,872</u>	<u>49,398</u>	<u>82,345</u>
Excess (deficiency) of receipts over disbursements	726	3,125	-	(3,253)	988	1,586
Other financing sources (uses):						
Operating transfers in	-	-	25,297	-	20,914	46,211
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>25,297</u>	<u>-</u>	<u>20,914</u>	<u>46,211</u>
Net change in cash balances	726	3,125	25,297	(3,253)	21,902	47,797
Cash balances, beginning of year	<u>44,737</u>	<u>-</u>	<u>35,009</u>	<u>24,786</u>	<u>-</u>	<u>104,532</u>
Cash balances, end of year	<u>\$ 45,463</u>	<u>\$ 3,125</u>	<u>\$ 60,306</u>	<u>\$ 21,533</u>	<u>\$ 21,902</u>	<u>\$ 152,329</u>

See accompanying independent auditor's report.

**City of West Burlington
Statement of Indebtedness
Year Ended June 30, 2004**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation bonds:								
Street improvement notes	06/10/96	4.70-5.60%	\$ 740,000	\$ 595,000	\$ -	\$ 25,000	\$ 570,000	\$ 36,430
Street improvement and refunding notes	03/01/03	1.35-3.20%	3,630,000	3,630,000	-	535,000	3,095,000	102,484
Traffic signal and waste water treatment	06/21/00	5.00-5.30%	1,500,000	<u>645,000</u>	<u>-</u>	<u>315,000</u>	<u>330,000</u>	<u>34,027</u>
Total				<u>\$ 4,870,000</u>	<u>\$ -</u>	<u>\$ 875,000</u>	<u>\$ 3,995,000</u>	<u>\$ 172,941</u>
Urban renewal TIF revenue bonds:								
Series 2003-A COBO	08/01/03	3.25-6.00%	\$ 320,000	\$ -	\$ 320,000	\$ -	\$ 320,000	\$ 13,440
Series 2003 City Hall	05/28/04	2.80%	1,000,000	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
Total				<u>\$ -</u>	<u>\$ 1,320,000</u>	<u>\$ -</u>	<u>\$ 1,320,000</u>	<u>\$ 13,440</u>
Development agreement	Various	5.70%	\$ 2,161,000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,161,000</u>	<u>\$ 68,009</u>

Development Agreement:

In addition to the indebtedness scheduled above, the City has entered into an agreement with a developer providing reimbursements from the City to the developer based upon a 20 year agreement. The developer has installed streets, sewers, curbing, and other utilities at a cost of \$1.2 million. The City will reimburse the developer using an assumed amortization of 20 years at a rate of 5.7%. The City's payment will not exceed the increase in property taxes on the valuation of the land. At the end of the 20 year period the agreement will cease, and the City would not continue payments irregardless of any principal due at that time. The City's interest cost for the year ended June 30, 2004 was \$68,009 with nothing applied to the principal.

The City has entered into two other similar agreements with a combined cost of approximately \$961,000. These agreements are expected to begin reimbursements in the next fiscal year.

See accompanying independent auditor's report.

**City of West Burlington
Bond and Note Maturities
June 30, 2004**

General Obligation Bonds:

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	Street Improvement Notes March 1, 2003 <u>Amount</u>	Interest <u>Rate</u>	Street Improvement Notes June 10, 1996 <u>Amount</u>	Interest <u>Rate</u>	Traffic Signal and Wastewater Treatment <u>Amount</u>	<u>Total</u>
2005	1.65%	\$ 565,000	5.95%	\$ 25,000	5.30%	\$ 330,000	\$ 920,000
2006	1.95%	570,000	6.00%	30,000	0.0%	-	600,000
2007	2.25%	375,000	6.10%	250,000	0.0%	-	625,000
2008	2.55%	380,000	6.20%	265,000	0.0%	-	645,000
2009	2.80%	390,000	0.0%	-	0.0%	-	390,000
2010	3.00%	400,000	0.0%	-	0.0%	-	400,000
2011	3.20%	<u>415,000</u>	0.0%	<u>-</u>	0.0%	<u>-</u>	<u>415,000</u>
		<u>\$ 3,095,000</u>		<u>\$ 570,000</u>		<u>\$ 330,000</u>	<u>\$ 3,995,000</u>

Urban Renewal Tax Increment Financing (TIF) revenue bonds:

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	COBO <u>2003-A</u>	Interest <u>Rate</u>	City Hall <u>2003</u>	<u>Total</u>
2005	3.25%	\$ -	2.80%	\$ 200,000	\$ 200,000
2006	3.25%	25,000	2.80%	200,000	225,000
2007	3.75%	25,000	2.80%	200,000	225,000
2008	4.25%	25,000	2.80%	200,000	225,000
2009	4.50%	25,000	2.80%	200,000	225,000
2010	4.85%	25,000	0.0%	-	25,000
2011	5.10%	30,000	0.0%	-	30,000
2012	5.35%	30,000	0.0%	-	30,000
2013	5.55%	30,000	0.0%	-	30,000
2014	5.75%	35,000	0.0%	-	35,000
2015	5.90%	35,000	0.0%	-	35,000
2016	6.0%	<u>35,000</u>	0.0%	<u>-</u>	<u>35,000</u>
		<u>\$ 320,000</u>		<u>\$ 1,000,000</u>	<u>\$ 1,320,000</u>

See accompanying independent auditor's report.

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

	<u>Years Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 978,252	\$ 1,060,387
Tax increment financing collections	1,399,350	1,334,487
Other city taxes	426,373	370,031
Use of money and property	68,661	47,845
Licenses and permits	55,398	31,870
Intergovernmental	372,533	454,443
Charges for services	94,223	92,562
Miscellaneous	<u>305,762</u>	<u>101,145</u>
Total	<u>\$ 3,700,552</u>	<u>\$ 3,492,770</u>
Disbursements:		
Operating:		
Public safety	\$ 1,014,372	\$ 950,496
Public works	507,960	440,143
Culture and recreation	73,754	80,127
Community and economic development	287,374	63,681
General government	246,845	174,589
Debt service	1,130,716	1,502,503
Capital projects	<u>3,311,529</u>	<u>1,378,528</u>
Total	<u>\$ 6,572,550</u>	<u>\$ 4,590,067</u>

See accompanying independent auditor's report.

**City of West Burlington
Schedule of Cash Transactions
Debt Service Fund
Year Ended June 30, 2004**

Receipts:	
Property taxes	\$ 170,149
Mobile home tax	<u>878</u>
	<u>171,027</u>
Disbursements:	
General Government:	
Service fees	<u>-</u>
Debt Service:	
Bond principal	875,000
Bond interest	240,951
Service fees	<u>1,075</u>
	<u>1,117,026</u>
Capital Projects:	
Capital outlay	<u>-</u>
Total disbursements	<u>1,117,026</u>
Excess (deficiency) of receipts over disbursements	(945,999)
Other financing sources:	
Operating transfers in	<u>856,418</u>
Net change in cash balance	(89,581)
Balance, beginning of year	<u>86,743</u>
Balance, end of year	<u>\$ (2,838)</u>

See accompanying independent auditor's report.

City of West Burlington
Combining Schedule of Cash Transactions
Capital Projects Fund
Year Ended June 30, 2004

----- Building and Equipment Replacement -----

	<u>City Hall</u>	<u>City Hall LOST</u>	<u>Administration Fire and Streets</u>	<u>Street/Utility Projects</u>	<u>Total</u>
Receipts:					
Miscellaneous	\$ -	\$ -	\$ -	\$ 199,892	\$ 199,892
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,875</u>	<u>28,875</u>
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,767</u>	<u>\$ 228,767</u>
Disbursements					
Public Works	-	-	-	4,678	4,678
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,439,031</u>	<u>1,439,031</u>
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,443,709</u>	<u>1,443,709</u>
Excess (deficiency) of receipts over disbursements	-	-	-	(1,214,942)	(1,214,942)
Other financing sources:					
Bond proceeds	-	-	-	-	-
Operating transfers in	-	-	40,000	-	40,000
Operating transfers out	<u>(7,500)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(207,500)</u>
Net change in cash balances	(7,500)	(200,000)	40,000	(1,214,942)	(1,382,442)
Balances, beginning of year	<u>7,500</u>	<u>200,000</u>	<u>158,271</u>	<u>2,959,266</u>	<u>3,325,037</u>
Balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,271</u>	<u>\$ 1,744,324</u>	<u>\$ 1,942,595</u>

See accompanying independent auditor's report.

City of West Burlington
Schedule of Selected Employee Related Expenses

	Years Ended June 30,				
	2004	2003	2002	2001	2000
Disbursements:					
Gross salaries	\$ 1,087,640	\$ 1,042,363	\$ 1,007,083	\$ 943,756	\$ 851,558
FICA expense	82,298	78,724	75,893	71,075	64,532
IPERS & ICMA expense	<u>74,271</u>	<u>69,886</u>	<u>69,361</u>	<u>63,292</u>	<u>55,032</u>
Total	<u>\$ 1,244,209</u>	<u>\$ 1,190,973</u>	<u>\$ 1,152,337</u>	<u>\$ 1,078,123</u>	<u>\$ 971,122</u>

See accompanying independent auditor's report.

James Walker, CPA
James Egerton, CPA
Kimberly Hunsaker, CPA
Melodee Walker, CPA
Stephanie Hoschek, CPA
William Hesse, LPA



214 North Fourth Street
PO Box 547
Burlington IA 52601

319 752 6348
800 757 6348
319 752 8644 fax
info@walkeregerton.com

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

To the Honorable Mayor and
Members of the City Council

We have audited the financial statements of the City of West Burlington, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 13, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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 our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-J-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Burlington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City'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 I 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. None of the reportable conditions described above is a material weakness. Prior year reportable conditions have been resolved except for item I-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 West Burlington and other parties to whom the City of West Burlington 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 Burlington 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.

Walker Egerton & Hunsaker PC

August 13, 2004

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2004**

Part I: Findings Related to the Financial Statements

REPORTABLE CONDITIONS

I-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

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

Response - We will consider this.

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

Part II: Other Findings Related to Statutory Reporting

II-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.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted in any program. 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.

The City published a notice of public hearing on the budget including a summary of the proposed budget as required by Chapter 384.16 of the Code of Iowa.

II-C-04 Questionable Disbursements - We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provisions.

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2004**

- II-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.
- II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-04 Bonds and Revenue Notes - The City has no revenue notes at June 30, 2004.
- II-I-04 Deposits and Investments - We noted 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.
- II-J-04 Financial Condition - The Special Revenue Funds, Urban Renewal Tax Increment account, had a deficit balance at June 30, 2004 of \$534,061 and the Debt Service Fund had a deficit balance of \$2,838.

Recommendation -We understand that project costs incurred prior to receipt of TIF collections and property tax collections created the deficit in these accounts. However, the City should monitor the progress of the TIF receipts and property tax collections and review the control procedures throughout the collection period.

Response - We will consider this.

Conclusion - Response accepted.

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION