

CITY OF WILLIAMSBURG
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
June 30, 2004

Juli Ochs, CPA

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City Of Williamsburg

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Murray Armstrong	Mayor	Jan. 2006
Don Kirkpatrick	Mayor Pro tem	Jan. 2008
Theresa Phillips	Council Member	Jan. 2008
Marcia Greiner	Council Member	Jan. 2006
Paul Lortz	Council Member	Jan. 2008
Gary Wanner	Council Member	Jan. 2006
Jenifer Karsten	Clerk/Administration Treasurer	Indefinite
Eric Tindal	Attorney	Indefinite

CITY OF WILLIAMSBURG

Juli Ochs, CPA
1344 240th St.
Victor, Iowa 52347
319-647-2295 (Home)

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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 Williamsburg, Iowa, as of and for the year ended June 30, 2004. These financial statements are the responsibility of city officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards of the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by officials, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

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 Williamsburg 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 discussed in Note 15, during the year ended June 30, 2004 the City of Williamsburg adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my reports dated December 15, 2004 on my consideration of the City of Williamsburg's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 8 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. 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 aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'Juli Ochs', written in a cursive style.

Juli Ochs, CPA

December 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Williamsburg's financial performance is an overview of the City's financial activities for the fiscal year, which ended June 30, 2004. Readers should 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 increased approximately 4.5% from fiscal year 2003 to 2004. Bond proceeds were received in 2004 in the amount of \$1,392,587
- *Disbursements of the City decreased approximately 11% from fiscal year 2003 to 2004 due mainly to debt being paid down.
- * The City's total cash basis net assets increased approximately 96% or \$1,717,052 from fiscal year 2003 to 2004 due mainly to funds received to cover capital improvement projects that were being started. Of this amount, the assets of the governmental activities increased approximately \$1,605,053 and the assets of the business activities increased by approximately \$111,999.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis shows basic financial statement and an overview of cash receipts and disbursements. The cash basis of accounting does not take into consideration accounts receivable or accounts payable.

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

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

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

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

BASIS OF ACCOUNTING

The City 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 Statement

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 declining.

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

- ❖ Governmental Activities include public safety, public works, health and social services, culture and recreation, general government, debt service, and capital projects. These activities are financed mainly by property taxes and state/federal grants.
- ❖ Business Type Activities include the water system and the sanitary sewer system. Fees charged to the users finance these activities.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent 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.

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

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 from \$1,444,529 to \$3,050,582 from a year ago. The analysis focuses on the changes in cash balances for governmental activities

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30:</u>	
	<u>2004</u>	<u>2003</u>
Receipts and transfers:		
Program receipts:		
Charges for services	162,616	271,410
General receipts:		
Property tax	536,807	549,721
Local Option Sales Tax	297,063	265,240
Hotel/Motel Tax	56,278	59,397
Road Use Tax	218,380	213,465
TIF revenues	1,061,490	1,077,989
Special Assessments	28,230	33,219
Bond proceeds	1,392,587	-
Short-term debt proceeds	-	100,000
Other general receipts	387,972	295,234
Transfers	1,530,948	1,936,122
Total receipts and transfers	\$ 5,672,371	4,801,797

Disbursements and transfers:		
Public safety	373,751	340,084
Public works	348,132	299,192
Health and social services	900	900
Culture and recreation	694,955	647,625
Community and economic development	157,006	161,861
General government	138,088	137,058
Debt service	583,085	928,076
Capital projects	302,504	400,374
Transfers	<u>1,468,063</u>	<u>1,884,259</u>
Total disbursements and transfers	\$ <u>4,066,484</u>	<u>4,799,429</u>
Increase in cash basis net assets	1,605,887	2,368
Cash basis net assets beginning of year	<u>1,444,695</u>	<u>1,442,327</u>
Cash basis net assets end of year	\$ <u>3,050,582</u>	<u>1,444,695</u>

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
Receipts:		
Program receipts:		
Charges for services		
Water	289,854	283,678
Sewer	292,111	289,726
General receipts		
Other general receipts	<u>30,263</u>	<u>40,307</u>
Total receipts	<u>612,228</u>	<u>613,711</u>
Disbursements and transfers:		
Water	172,383	237,275
Sewer	264,961	273,037
Transfers		
Water	39,915	27,445
Sewer	<u>22,970</u>	<u>24,418</u>
Total disbursements and transfers	<u>500,229</u>	<u>562,175</u>
Increase in cash basis net assets	<u>111,999</u>	<u>51,536</u>
Cash basis net assets beginning of year	<u>342,597</u>	<u>291,061</u>
Cash basis net assets end of year	<u>454,596</u>	<u>342,597</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Williamsburg, Iowa completed the year, its governmental funds reported a combined fund balance of \$3,050,583, which is an increase of \$1,605,053. Major reasons for changes in balances from fiscal year 2003 are:

- *The General Fund has increased because of payments being received for sale of a parcel of property. The General Fund continues to receive less money because of budget cuts from the State.
- *The Road Use Tax Fund revenue is based on per capita dollars from the state. The rate increased from fiscal year 2003 to fiscal year 2004 therefore revenues increased. Expenditures increased mainly because a new snowplow was purchased.
- *The Tax Increment Financing Fund revenues were just under \$17,000 less from fiscal year 2003 because of the valuation decrease in the TIF District. Expenditures increased because of an additional development agreement formed with the City.
- *The Local Option Sales Tax Fund revenues increased just under \$32,000 from fiscal year 2003. Expenditures were approximately the same from fiscal year 2003 to fiscal year 2004.
- *The Capital Improvement Fund was the major reason for the increase in the ending fund balance because of revenues received to cover the cost of the impending capital projects the City will be completing in the fiscal year 2005.
- *The Debt Service Fund revenues and expenditures were less because of bond debt being paid off.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Utility Fund balance increased by \$105,214 from fiscal year 2003 due mainly to increased water usage.

The Sewer Utility Fund balance increased by \$6,785 from fiscal year 2003 due mainly to increased usage.

BUDGETARY HIGHLIGHTS

The City amended its budget on May 24, 2004 resulting in an increase of disbursements of approximately \$873,000 related to various projects started in fiscal year 2004.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$3,545,000 in bonds and other long-term debt, compared to approximately \$2,615,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	2004	June 30, 2003
General Obligation Corporate Purpose Bonds		
1994 Madison Street project	-	40
1997 Sports Complex, water/sewer projects	90	115
1999 1998 & 1999 DNR projects	250	445
2001 State St, Lagoon, Water Plant projects	1,005	1,115
2002 Franklin St project	800	900
2004 E State St & Welsh St projects	<u>1,400</u>	<u>-</u>
Total	\$ 3,545	2,615

Debt increased as a result of issuing general obligation bonds for two street projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Williamsburg's elected and appointed officials considered factors such as tax rates and fees that will be charged for various City activities when they adopted the 2005 budget.

Projects being continued, completed or considered for fiscal year 2005 are:

- *The East State Street reconstruction project
- *The Welsh Street reconstruction project
- *The Welsh Street Utilities Extension project
- *A new fire station
- *A new library

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for all money received. If you have questions about this report or need additional information, please contact Jenifer J Karsten, City Clerk/Treasurer, 210 West State Street, PO Box 596, Williamsburg, Iowa 52361 or call 319-668-1133.

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

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 373,751	2,156	-
Public works	348,133	19,235	218,380
Health and social services	900	-	-
Culture and recreation	694,955	298,199	48,654
Community and economic development	157,006	4,275	-
General government	138,087	5,387	-
Debt service	583,085	-	-
Capital projects	302,504	-	1,675
Total governmental activities	<u>2,598,421</u>	<u>329,252</u>	<u>268,709</u>
Business type activities			
Water	172,384	313,173	-
Sewer	264,962	292,111	-
Total business type activities	<u>437,346</u>	<u>605,284</u>	<u>-</u>
Total	<u>\$ 3,035,767</u>	<u>934,536</u>	<u>268,709</u>

General Receipts:

Property tax levied for:

- General purposes
- Tax increment financing
- Debt service
- Local option sales tax
- Grants and contributions not restricted to a specific purpose
- Unrestricted interest on investments
- Bond proceeds
- Miscellaneous
- Sale of assets

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, net prior period adjustments

Cash Basis Net Assets

Restricted

- Streets
- Urban renewal projects
- Debt service
- Other purpose

Unrestricted

Total cash basis net assets

Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(371,595)	-	(371,595)
-	(110,518)	-	(110,518)
-	(900)	-	(900)
-	(348,102)	-	(348,102)
-	(152,731)	-	(152,731)
-	(132,700)	-	(132,700)
28,230	(554,855)	-	(554,855)
-	(300,829)	-	(300,829)
<u>28,230</u>	<u>(1,972,230)</u>	-	<u>(1,972,230)</u>

-	-	140,789	140,789
-	-	27,149	27,149
-	-	167,938	167,938
<u>28,230</u>	<u>(1,972,230)</u>	<u>167,938</u>	<u>(1,804,292)</u>

\$	503,702	-	503,702
	1,064,489	-	1,064,489
	59,005	-	59,005
	297,063	-	297,063
	28,585	-	28,585
	62,778	3,473	66,251
	1,392,587	-	1,392,587
	59,846	3,472	63,318
	47,178	-	47,178
	62,885	(62,885)	-
	<u>3,578,118</u>	<u>(55,940)</u>	<u>3,522,178</u>
	1,605,888	111,998	1,717,886
	1,444,695	342,598	1,787,293
	<u>3,050,583</u>	<u>454,596</u>	<u>3,505,179</u>
	-	-	-
	246,907	-	246,907
	3,320	-	3,320
	-	-	-
	2,800,356	454,596	3,254,952
\$	<u>3,050,583</u>	<u>454,596</u>	<u>3,505,179</u>

City of Williamsburg

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

As of and for the year ended June 30, 2004

	General	Special Revenue			Capital Projects
		Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	
Receipts:					
Property Tax	\$ 465,123	\$ -	\$ -	\$ -	\$ 38,579
Tax increment financing collections	-	-	1,064,489	-	-
Other City Tax	72,689	-	-	297,063	-
Use of money and property	118,317	-	2,186	1,991	3,090
Licenses and permits	9,662	-	-	-	-
Intergovernmental	28,915	218,380	-	-	-
Charges for services	240,016	-	-	-	-
Special Assessments	-	-	-	-	-
Miscellaneous	94,865	-	-	-	1,675
Total Receipts	1,029,587	218,380	1,066,675	299,054	43,344
Disbursements:					
Operating:					
Public Safety	373,751	-	-	-	-
Public Works	128,386	219,747	-	-	-
Health and social services	900	-	-	-	-
Culture and recreation	683,639	-	-	11,316	-
Community and economic development	40,989	-	116,017	-	-
General government	138,087	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	302,504
Total Disbursements	1,365,752	219,747	116,017	11,316	302,504
Excess (deficiency) of receipts over (under) disbursements	(336,165)	(1,367)	950,658	287,738	(259,160)
Other financing sources (uses):					
Bond proceeds:					
General Obligation Bond	-	-	-	-	1,392,587
Operating transfers in (out)	531,998	-	(718,137)	(240,000)	-
Total other financing sources (uses)	531,998	-	(718,137)	(240,000)	1,392,587
Excess (deficiency) of receipts and other financing sources over (under) disbursements & other financing uses	195,833	(1,367)	232,521	47,738	1,133,427
Balance beginning of year	837,246	151,612	14,386	183,550	252,317
Prior Period Adjustment	-	-	-	-	-
Adjusted Balance beginning of year	837,246	151,612	14,386	183,550	252,317
Balance end of year	<u>\$ 1,033,079</u>	<u>\$ 150,245</u>	<u>\$ 246,907</u>	<u>\$ 231,288</u>	<u>\$ 1,385,744</u>
Cash Basis Fund Balances					
Reserved:					
Debt Service	-	-	-	-	-
Unreserved:					
General Fund	1,033,079	-	-	-	-
Special Revenue Funds	-	150,245	246,907	231,288	-
Capital Project Fund	-	-	-	-	1,385,744
Total cash basis fund balances	<u>1,033,079</u>	<u>150,245</u>	<u>246,907</u>	<u>231,288</u>	<u>1,385,744</u>

Debt Service	Total
\$ 59,005	\$ 562,707
-	1,064,489
-	369,752
4,562	130,146
-	9,662
-	247,295
-	240,016
28,230	28,230
-	96,540
<u>91,797</u>	<u>2,748,837</u>
-	373,751
-	348,133
-	900
-	694,955
-	157,006
-	138,087
583,085	583,085
-	302,504
<u>583,085</u>	<u>2,598,421</u>
<u>(491,288)</u>	<u>150,416</u>
-	1,392,587
489,024	62,885
489,024	1,455,472
<u>(2,264)</u>	<u>1,605,888</u>
5,584	1,444,695
-	-
5,584	1,444,695
<u>\$ 3,320</u>	<u>\$ 3,050,583</u>
3,320	3,320
-	1,033,079
-	628,440
-	1,385,744
<u>3,320</u>	<u>3,050,583</u>

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

As of and for the year ended June 30, 2004

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receipts:			
Use of money and property	\$ 4,339	2,606	6,945
Charges for services	289,855	292,111	581,966
Miscellaneous	23,318	-	23,318
Total Receipts	<u>317,512</u>	<u>294,717</u>	<u>612,229</u>
Disbursements:			
Business type activities	<u>172,384</u>	<u>264,962</u>	<u>437,346</u>
Total Disbursements	<u>172,384</u>	<u>264,962</u>	<u>437,346</u>
Excess (deficiency) of receipts over (under) disbursements	<u>145,128</u>	<u>29,755</u>	<u>174,883</u>
Other financing sources (uses):			
Operating transfers in (out)	(40,292)	(22,593)	(62,885)
Total other financing sources (uses)	(40,292)	(22,593)	(62,885)
Excess (deficiency) of receipts and other financing sources over (under) disbursements & other financing uses	<u>104,836</u>	<u>7,162</u>	<u>111,998</u>
Balance beginning of year	150,095	192,503	342,598
Balance end of year	<u>\$ 254,931</u>	<u>199,665</u>	<u>454,596</u>
Cash Basis Fund Balances			
Unreserved	<u>254,931</u>	<u>199,665</u>	<u>454,596</u>
Total cash basis fund balances	<u><u>254,931</u></u>	<u><u>199,665</u></u>	<u><u>454,596</u></u>

City of Williamsburg

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Williamsburg is a political subdivision of the State of Iowa located in Iowa County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Williamsburg 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 Standard Board criteria.

Jointly Governed Organizations

The City also 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: Iowa County Assessor's Conference Board, Iowa County Joint E-911 Service Board, Parks and Recreation Board and Regional Environmental Improvement Commission.

B. Basis of Presentation

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

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 projects financed by the Local Option Sales Tax.

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

The Capital Projects Funds are used to account for the payment of construction projects either financed by bond proceeds or tax levies that exceed one year in length.

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.

The City also reports the following additional fiduciary fund:

The Trust Fund is used to account for monies and properties received and held by the City in a trustee capacity. These include non-expendable trust funds.

C. Measurement Focus and Basis of Accounting

The City of Williamsburg 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.

D. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 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 instrumentality's; 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's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2005	425,000	140,595
2006	425,000	125,635
2007	430,000	111,415
2008	400,000	92,330
2009	410,000	75,560
2010	350,000	57,860
2011	350,000	42,960
2012	350,000	27,710
2013	265,000	12,090
2014	140,000	-
Total	<u>\$ 3,545,000</u>	<u>\$ 686,155</u>

(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 5.93% and 8.90% 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 \$40,944, \$38,967, and \$32,183 respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time 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 liability for earned vacation and comp time leave termination payments payable to employees at June 30, 2004 is \$23,240 for vacation and \$6,805 for comp time, for a total liability of \$30,045.

(6) Economic Development Loan

On January 24, 2000, the City entered into a Development Agreement with Williamsburg Manufacturing, in which the City agrees to make economic development tax rebate payments to Williamsburg Manufacturing, pursuant to Chapters 15A and 403 of the Code of Iowa, in amounts which represent 50% of the property taxes paid with respect to the incremental property valuation of the construction project to expand the facilities of Williamsburg Manufacturing through June 1, 2011. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City from the County Treasurer which are attributable to the construction project.

(7) Workers Compensation

The City is a member of the Iowa Municipalities Worker's Compensation Association (IMWCA) which provides worker's compensation coverage to its members. The members own an interest in the assets of the claims payment fund.

(8) Thelma Wyman Memorial

During August of 1991, the family of Thelma Wyman contributed \$500 to be put into an interest bearing account, the principal of which is to remain intact and cannot be withdrawn for any reason. One percent of the yearly interest shall be added to and become part of the principal. The remaining interest from this account is paid to Williamsburg Public Library to be used as the Library Board deems necessary in order to maintain the library.

(9) Risk Management

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

(10) Regional Environmental Improvement Commission

The City, in conjunction with all other municipalities in Iowa County, has created the Regional Environmental Improvement Commission. The commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. Upon dissolution of the corporation, the net assets of the commission will be prorated among the municipalities. The commission is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

(11) Boyd Monies

Walter C. Boyd left the balance of his estate to the town of Williamsburg, Iowa, to be used as the City sees fit. The City Council set up a separate account in the General Fund to track this money and show the citizens where the money is being spent.

(12) Advance – HACAP

On February 13, 1984, the City entered into an agreement with Hawkeye Area Community Action Program (HACAP) in which the City advanced HACAP \$10,000 for the down payment

for the purchase of a building to be utilized as a community center. Williamsburg Community Child Care Center (W4C's) purchased the building August 1, 2000 and the advance shall be reimbursed to the City if W4C's ceases to use the building as a child care center, sells the building or the organization dissolves.

(13) Interfund Loan

The City entered into an interfund loan agreement in 1999. The Boyd Monies Fund loaned the Urban Renewal Tax Fund \$273,000 for costs relating to the Sports Complex. The Urban Renewal Tax Fund will repay the Boyd Monies Fund an annual payment of \$40, 137 at 6.00% interest, culminating in 2007.

(14) Revenue Bonds

On September 23, 2002, Assisted Living Facility Revenue Bonds in the amount of \$9,000,000 were issued. These revenue bonds are issued for the purpose of financing the cost of construction of the Williamsburg Retirement Community, Inc. Project. The aggregate principal amount of these bonds is not to exceed \$11,000,000 as per Resolution adopted on June 24, 2002. These bonds will be a special limited obligation of the City and shall not be payable from or charged upon any funds other than Loan Repayments made by the Williamsburg Retirement Community Inc. The bonds will not constitute a debt of the City within any constitutional or statutory limitation.

(15) 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.

The government-wide financial statement reports the City's governmental and business type activities.

REQUIRED SUPPLEMENTARY INFORMATION

City of Williamsburg

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

Required Supplementary Information

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Original
Receipts:				
Property Tax	\$ 562,707	\$ -	\$ 562,707	\$ 538,931
Tax increment financing collections	1,064,489	-	1,064,489	1,000,000
Other City Tax	369,752	-	369,752	394,570
Use of money and property	130,146	6,945	137,091	80,034
Licenses and permits	9,662	-	9,662	6,300
Intergovernmental	247,295	-	247,295	270,160
Charges for services	240,016	581,966	821,982	900,300
Special Assessments	28,230	-	28,230	-
Miscellaneous	96,540	23,318	119,858	59,800
Total Receipts	<u>2,748,837</u>	<u>612,229</u>	<u>3,361,066</u>	<u>3,250,095</u>
Disbursements:				
Public Safety	373,751	-	373,751	383,834
Public Works	348,133	-	348,133	353,040
Health and social services	900	-	900	900
Culture and recreation	694,955	-	694,955	720,750
Community and economic development	157,006	-	157,006	123,000
General government	138,087	-	138,087	163,507
Debt service	583,085	-	583,085	583,586
Capital projects	302,504	-	302,504	185,000
Business Type	-	437,346	437,346	540,017
Total Disbursements	<u>2,598,421</u>	<u>437,346</u>	<u>3,035,767</u>	<u>3,053,634</u>
Excess (deficiency) of receipts over (under) disbursements	150,416	174,883	325,299	196,461
Other financing sources (uses):				
Bond Proceeds				
General Obligation Bond	1,392,587	-	1,392,587	1,249,473
Operating transfers in (out)	62,885	(62,885)	-	-
Total other financing sources (uses)	<u>1,455,472</u>	<u>(62,885)</u>	<u>1,392,587</u>	<u>1,249,473</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements & other financing uses	<u>1,605,888</u>	<u>111,998</u>	<u>1,717,886</u>	<u>1,445,934</u>
Balance beginning of year	1,444,695	342,598	1,787,293	1,229,765
Balance end of year	<u>\$ 3,050,583</u>	<u>\$ 454,596</u>	<u>\$ 3,505,179</u>	<u>\$ 2,673,721</u>

Amounts Final	Final to Net Variance
\$ 538,931	\$ 23,776
1,000,000	64,489
394,570	(24,818)
80,034	57,057
6,300	3,362
270,160	(22,865)
958,400	(136,418)
10,000	18,230
100,695	19,163
<u>3,359,090</u>	<u>1,976</u>
385,255	11,504
380,040	31,907
900	-
899,611	204,656
209,280	52,274
163,507	25,420
583,586	501
617,863	315,359
656,769	219,423
<u>3,896,811</u>	<u>861,044</u>
(537,721)	
3,105,516	
-	
3,105,516	
<u>2,567,795</u>	
1,229,765	
<u>\$ 3,797,560</u>	

City of Williamsburg

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 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 included 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, one budget amendment increased budgeted disbursements by \$445,250 and another amendment increased budgeted disbursements by \$397,927. The budgeted amendments are reflected in the final budgeted amount.

OTHER SUPPLEMENTARY INFORMATION

City of Williamsburg

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

As of and for the year ended June 30, 2004

	Capital Projects			
	Elm Street Reconstruction	2004 State/Welsh St Project	2004 Welsh Utilities Project	2004 Fire Station Project
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Use of money and property:				
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental:				
LUST Grant	-	-	-	-
Miscellaneous				
Sales Tax Refunds	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:				
Capital projects				
Contractual services	4,303	44,650	7,290	8,224
Commodities	-	89	67	65
Capital Outlay	<u>-</u>	<u>170,428</u>	<u>34,126</u>	<u>724</u>
Total disbursements	4,303	215,167	41,483	9,013
Deficiency of receipts under disbursements	(4,303)	(215,167)	(41,483)	(9,013)
Other financing sources (uses):				
Bonds Issued:	-	-	-	-
Transfers in:				
Capital Projects	4,303	216,000	50,000	10,000
Total Transfers	<u>4,303</u>	<u>216,000</u>	<u>50,000</u>	<u>10,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financial uses	-	833	8,517	987
Balance, beginning of year	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 833</u>	<u>\$ 8,519</u>	<u>\$ 987</u>
Cash Basis Fund Balances				
Unreserved:				
Capital Project Fund	<u>-</u>	<u>833</u>	<u>8,519</u>	<u>987</u>
Total cash basis fund balances	<u>-</u>	<u>833</u>	<u>8,519</u>	<u>987</u>

2004 Trunk Sewer Project	Ball Diamond Project	Capital Improvements	Total
\$ -	\$ -	\$ 38,579	\$ 38,579
-	22	2,142	2,164
-	-	926	926
-	-	-	-
-	-	1,675	1,675
-	-	-	-
-	22	43,322	43,344
1,847	-	1,016	67,330
-	-	31	252
-	-	29,644	234,922
1,847	-	30,691	302,504
(1,847)	22	12,631	(259,160)
-	-	1,392,587	1,392,587
20,000	(23,180)	(277,123)	-
<u>20,000</u>	<u>(23,180)</u>	<u>1,115,464</u>	<u>1,392,587</u>
18,153	(23,158)	1,128,095	1,133,427
-	23,158	229,157	252,317
<u>\$ 18,153</u>	<u>\$ -</u>	<u>\$ 1,357,252</u>	<u>\$ 1,385,744</u>
18,153	-	1,357,252	1,385,744
<u>18,153</u>	<u>-</u>	<u>1,357,252</u>	<u>1,385,744</u>

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

As of and for the year ended June 30, 2004

	<u>Fiduciary Funds</u>
	Thelma Wyman Fund
Receipts:	
Use of money and property:	\$ 12
Total receipts	<u>12</u>
Disbursements:	
Culture and Recreation	-
Total disbursements	<u>-</u>
Deficiency of receipts under disbursements	12
Balance, beginning of year	<u>834</u>
Balance, end of year	<u>\$ 846</u>
Cash Basis Fund Balances Unreserved	<u>846</u>

City of Williamsburg

Schedule of Indebtedness

Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year
General Obligation Bonds					
Corporate purpose - Madison St.	September 1, 1994	5.00 - 5.50%	\$ 575,000	\$ 40,000	\$ -
Corporate purpose - street, water & sanitary sewer improvements	September 1, 1997	4.55 - 5.10%	1,010,000	115,000	-
Corporate purpose - 1998 & 1999 DNR projects	August 1, 1999	4.00 - 5.10%	850,000	445,000	-
Corporate purpose - street, storm & sanitary sewer, waterworks & park improvements	June 14, 2004	3.00 - 4.35%	1,400,000	-	1,400,000
Corporate purpose - street, storm & sanitary sewer, waterworks & park improvements	August 1, 2001	3.75 - 4.80%	1,115,000	1,115,000	-
Corporate purpose - street, storm sewer & curb & gutter improvements & projects	March 1, 2002	2.65 - 4.50%	900,000	<u>900,000.00</u>	<u>-</u>
Total				<u>2,615,000</u>	<u>1,400,000</u>

Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 40,000	\$ -	\$ 2,200	\$ -
25,000	90,000	2,850	360
195,000	250,000	10,628	958
-	1,400,000	-	1,750
110,000	1,005,000	78,857	3,141
<u>100,000</u>	<u>800,000</u>	<u>17,250</u>	<u>1,767</u>
<u><u>470,000</u></u>	<u><u>3,545,000</u></u>	<u><u>111,785</u></u>	<u><u>7,976</u></u>

City of Williamsburg

Bond and Note Maturities

June 30, 2004

General Obligation Bonds

Year Ending	General Obligation Bonds Issued September 1, 1997		General Obligation Bonds Issued August 1, 2001	
	Interest Rate	Amount	Interest Rate	Amount
June 30, 2004				
2005	4.90%	30,000	3.90%	110,000
2006	5.00%	30,000	4.00%	110,000
2007	5.10%	30,000	4.15%	110,000
2008			4.30%	110,000
2009			4.40%	110,000
2010			4.50%	110,000
2011			4.60%	110,000
2012			4.70%	110,000
2013			4.80%	125,000
2014				
Total		<u>\$ 90,000</u>		<u>\$ 1,005,000</u>

General Obligation Bonds

Year Ending	1998 & 1999 DNR Projects Issued August 1, 1999		General Obligation Bonds Issued June 14, 2004	
	Interest Rate	Amount	Interest Rate	Amount
June 30, 2004				
2005	4.70%	45,000	3.00%	140,000
2006	4.80%	45,000	3.00%	140,000
2007	4.90%	50,000	3.50%	140,000
2008	5.00%	50,000	3.50%	140,000
2009	5.10%	60,000	4.00%	140,000
2010			4.00%	140,000
2011			4.00%	140,000
2012			4.10%	140,000
2013			4.25%	140,000
2014			4.35%	140,000
Total		<u>\$ 250,000</u>		<u>\$ 1,400,000</u>

General Obligation Bonds
 Issued March 1, 2002

<u>Interest Rate</u>	<u>Amount</u>
3.15%	100,000
3.45%	100,000
3.75%	100,000
4.00%	100,000
4.20%	100,000
4.35%	100,000
4.45%	100,000
4.50%	100,000
	<u>\$ 800,000</u>

<u>Total</u>
425,000
425,000
430,000
400,000
410,000
350,000
350,000
350,000
265,000
140,000
<u>\$ 3,545,000</u>

Juli Ochs, CPA
1344 240th St.
Victor, Iowa 52347
319-647-2295 (Home)

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

To the Honorable Mayor and
Members of the City Council:

I have audited the financial statements of the City of Williamsburg, Iowa, as of and for the year ended June 30, 2004, and have issued my report thereon dated December 15, 2004. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with United States 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.

During the year ended June 30, 2004 the City of Williamsburg 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.

Compliance

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

Comments involving statutory and other legal matters about the Entity's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the general purpose financial statements of the City of Williamsburg. 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 audit statutory comments have been resolved except for item 1.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in 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 1 is a material weakness. Prior year reportable conditions have been resolved except for item 1. 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 Williamsburg and other parties to whom the City of Williamsburg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



Juli Ochs, CPA, Principal

December 15, 2004

CITY OF WILLIAMSBURG

Schedule of Findings

Year ended June 30, 2004

The following comments about the City of Williamsburg operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of financial statements of the City.

REPORTABLE CONDITIONS

- (1) Segregation of Duties –One important element in designing an internal control structure that safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another.

During our review of the city's control procedures, we noted that one person has control over one or more of the following areas:

Accounting system – general journal/general ledger/journal entry function and custody of assets

Receipts – collecting, depositing, journalizing, posting, and reconciling.

Payroll – preparation and distribution.

Utilities – collections, depositing and recording.

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 – Since there are only two employees at city hall, it is difficult to segregate duties. Duties are segregated to the best of our ability.

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.

OTHER FINDINGS RELATED TO STATUTORY REPORTING

- (2) Certified Budget – Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted.
- (3) 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.
- (4) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (5) Water Loss– Based on an Engineering Report, Minimum Night Ration Study performed in August of 2003 by Michael D. Saeugling the city is experiencing a "substantial leakage"

problem. Additionally, water usage reports calculated by the utility clerk indicate a fluctuating water loss problem.

Recommendation – Since water loss can occur because of leaks and/or unmetered usage, a plan should be formulated to investigate why the City is experiencing substantial water loss.

Response – The Public Works Department is researching all unmetered water usage. Water leaks are being repaired on a monthly basis and water readings are being recorded to the hundreds of gallons to insure total water usage. We are also using the services of a leak detection company. An aggressive old water main replacement program is in place and we are considering the suggestions of the engineering company.

Conclusion – Response accepted.

- (6) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Garth Von Ahsen, Council Member, owner of Iowa Mobile Concrete	Water Repair	\$ 48
Michael Gabriel, Police Chief, owner of Gabe's Gun Shop	Ammunition & Clothing	<u>998</u>
		<u>\$1,046</u>

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with certain Council Members do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year

- (7) Questionable Disbursements – I noted certain disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Gevalia	Coffee Maker	\$ 39
Walmart	Unknown DVD	6

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Library should thoroughly consider and document the public purpose and propriety of these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The coffeemaker was purchased to make coffee which is then served to our patrons. As for the DVD, we have implemented a new system to make sure all receipts are kept available and sent to the city clerk with the appropriate bill.

Conclusion – The city should determine if the purchase of coffee does indeed meet the requirements of public purpose as defined by the Attorney General. Response accepted.

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

(9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

(10) 28E Agreement with Williamsburg Fire Department – An agreement exists with the Williamsburg Volunteer Fire Department, the City of Williamsburg and the Williamsburg Rural Fire Department under the Code of Iowa Chapter 28E. The Code states that... "any public agency may enter into an agreement with one or more public or private agencies..." and the Code defines a private agency as "...any form of business organization authorized under the laws of this or any other state." While the Firefighters Association exists to raise funds to support the City of Williamsburg Fire Department, it appears that the City of Williamsburg Fire Department is not a "private agency" as defined by the Code of Iowa.

Recommendation – The Williamsburg Volunteer Fire Department should comply with the Code of Iowa by setting themselves apart as private agency.

Response – Legal Counsel will be contacted.

Conclusion – Response accepted.