

CITY OF WOODBINE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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City of Woodbine

Officials

<u>Name</u>	<u>Title</u> (Before January 2004)	<u>Term Expires</u>
William Hutcheson	Mayor	January 2006
Norma Heistand	Council Member	January 2004
Noel Sherer	Council Member	January 2004
Lauren Cox	Council Member	January 2006
Deb Jochims	Council Member	January 2006
Nancy Yarbrough	Council Member	January 2006

<u>Name</u>	<u>Title</u> (After January 2004)	<u>Term Expires</u>
William Hutcheson	Mayor	January 2008
Lauren Cox	Council Member	January 2006
Deb Jochims	Council Member	January 2006
Nancy Yarbrough	Council Member	January 2006
Norma Heistand	Council Member	January 2008
Noel Sherer	Council Member	January 2008

Bob Sullivan	City Clerk/Treasurer	July 2005
Joseph Lauterbach	Attorney	Indefinite

City of Woodbine

September 1, 2004

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Woodbine, 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 Woodbine'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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Woodbine 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 14, 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*.

Continued...

Independent Auditor's Report
City of Woodbine

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2004 on our consideration of the City of Woodbine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, 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 Woodbine'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 years ended June 30, 2003 and June 30, 2001, (none of which are presented herein) and expressed qualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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. We did not audit the financial statements for the year ended June 30, 2002 and did not express an opinion on those financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Woodbine 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

- Receipts of the City's governmental activities increased 1,097,544 from fiscal 2003 to fiscal 2004. Property tax increased approximately \$98,000 and intergovernmental receipts increased approximately \$1,014,000.
- Disbursements increased \$938,543 in fiscal 2004 from fiscal 2003. Public safety and capital projects disbursements increased approximately \$124,000 and \$775,000, respectively.
- The City's total cash basis net assets increased \$1,396,313 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased \$1,337,472 and the assets of the business type activities increased by \$58,841.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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

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, the sanitary sewer system, and gas. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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, increasing from \$543,000 to \$1,880,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	2004	2003
Receipts		
Property tax	\$ 508	\$ 409
Tax increment financing collections	70	50
Other city tax	95	89
Licenses and permits	4	1
Use of money and property	17	20
Intergovernmental	1,289	275
Charges for service	51	50
Special assessments	0	0
Miscellaneous	8	51
Total receipts	<u>2,042</u>	<u>945</u>
Disbursements		
Operating:		
Public safety	306	182
Public works	175	192
Health and social services	3	3
Culture and recreation	186	169
Community and economic development	22	13
General government	81	100
Debt service	101	52
Capital projects	1,359	583
Total disbursements	<u>2,233</u>	<u>1,294</u>
Deficiency of receipts under disbursements	(191)	(349)
Other financing sources (uses):		
Sale of capital assets	0	3
Bond note proceeds net of discount	1,515	0
Operating transfers in	61	536
Operating transfers out	(48)	(539)
Total other financing sources (uses)	<u>1,528</u>	<u>0</u>
Net change in cash balances	1,337	(349)
Cash balances beginning of year	<u>543</u>	<u>892</u>
Cash balances end of year	<u>\$ 1,880</u>	<u>\$ 543</u>

The City's total receipts and other financing sources for governmental activities increased approximately \$2,134,000. The significant increase in receipts was primarily the result of bond proceeds of \$1,515,000 and grant proceeds of \$1,048,000 from the Department of Transportation.

The City's increase in property tax dollars was due to an increase in the debt service levy of approximately \$99,000.

The cost of all programs increased approximately \$939,000. The City spent approximately \$110,000 for a new fire truck and approximately \$1,359,000 for the Lincoln Highway rehabilitation restoration capital project.

According to the Statement of Activities on pages 14 and 15, the cost of all governmental activities were subsidized by charges, restricted grants and contributions totaling \$1,350,663. The remaining portion of \$882,127 was financed with general receipts, which includes property taxes, unrestricted grants and bond proceeds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	2004	2003
Operating receipts:		
Charges for service	\$ 840	\$ 816
Operating disbursements:		
Business type activities	811	705
Excess of operating receipts over operating disbursements	29	111
Non-operating receipts:		
Interest on investments	14	17
Miscellaneous	29	23
Total non-operating receipts	43	40
Excess of receipts over disbursements	72	151
Other financing sources (uses):		
Operating transfers in	0	57
Operating transfers out	(13)	(54)
Total financing sources (uses)	(13)	3
Net change in cash balances	59	154
Cash balances beginning of year	652	498
Cash balances end of year	\$ 711	\$ 652

Total business type activities receipts and transfers in for the fiscal year were \$840,000 compared to \$873,000 last year. The cash balance increased by approximately \$59,000 from the prior year. Total disbursements and transfers out for the fiscal year were \$824,000 compared to \$759,000 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Woodbine completed the year, its governmental funds reported a combined fund balance of \$1,880,569, an increase of more than \$1,330,000 above last year's total of \$543,097. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$70,425 from the prior year to \$770,941. The decrease was primarily due to the purchase of a fire truck.
- The Capital Projects Fund cash balance increased by \$1,206,435 from the prior year to \$1,084,706. The increase was primarily due to bond proceeds.
- The Debt Service Fund cash balance increased by \$51,885 from the prior year to \$52,003. The increase was primarily due to budgeting for an additional debt service of \$50,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$69,269 to \$273,961 because water rates were increased in anticipation of a capital project.
- The Sewer Fund cash balance increased by \$13,994 to \$121,773.
- The Gas Fund cash balance decreased \$24,422 to \$315,571 due to an increase in cost of purchased gas.

BUDGETARY HIGHLIGHTS

The City exceeded the amounts budgeted in public safety and public work functions. The overages were due to unbudgeted costs for a fire truck and street maintenance.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$1,670,000 in bond debt, compared to \$185,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30, 2004	2003
General obligation bonds	\$ 1,670	\$ 185

Debt increased as a result of issuing general obligation bonds for a street construction project.

The City's outstanding general obligation debt of \$1,670,000 is below its constitutional debt limit of \$3,000,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Woodbine City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The uncontrollable rise in fuel prices and in major medical health insurance costs, the county's increasing reliance upon property taxes levied upon property within the corporate limits, the change in Woodbine's LMI from 57 percent to 62.4 percent were economic factors considered. With the increase in LMI and other negative economic factors affecting our local citizens, the Council worked to keep essential city services available while keeping the lid on property taxes. The debt service costs were higher than the previous year so the City Council lowered the dollar amounts on other levies, esp. trust and agency.

While the City Council tried to control and reduce expenditures from property tax dollars, they realized we are working in an ever changing environment. Part of that environment is that triangle of public services needed/demanded, uncontrollable cost increases, and the increasing pressure on local schools and county government. The Council deliberated on how to cooperate and coordinate with local school and county government to improve efficiency.

A small survey of residential and commercial property taxes revealed the following trends: 1) Residential assessed values went up approximately 12 percent and with rollback to about 48 percent, the taxable value went up about 5.6 percent. The City levy went down and the dollar asking remained the same. The City levy went down, but with the increase in taxable valuation, the residential citizen paid about 2 percent more dollars for City share of taxes. However, the big discrepancy occurs in the school levy and especially in the County levy. The school dollar asking went down 4 percent, but for the City residential homeowner, the dollar cost went up 15 percent, and while the County dollar asking went up about 11 percent, the City residential cost went up 32 percent. 2) In the commercial sector of Woodbine, the assessed value stayed the same while the rollback may have reduced the taxable value by something less than 1 percent. The school dollar asking went down 4 percent, but the City commercial real estate tax dollar cost for school went up about 7.5 percent, the commercial dollar cost for City went down more than 45 percent, and the City commercial dollar cost for County went up 22.5 percent. Some City priorities considered in the budget process included: to keep the swimming pool open and budgeting \$30,000 epoxy paint improvement, do some street work; either overlay, new Portland pavement, or some of both. The City budgeted \$60,000 for a street sweeper, but decided to keep the old one running. A new riding mower and police car will be the new outside equipment purchases this fiscal year.

The State's CPI increase was 3.2 percent for fiscal year 2004, compared with the national rate of 3.4 percent.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$3,540,000, as compared to \$3,044,000 in 2004. Budgeted disbursements are expected to rise by approximately \$496,000, due to spending of prior year grant revenues and bond proceeds.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$880,000 by the close of 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. If you have questions about this report or need additional financial information, contact Bob Sullivan, City Clerk, 517 Walker, Woodbine, Iowa.

City of Woodbine
Basic Financial Statements

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

	Disbursements	Charges for Service	Program Receipts Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 306,343	650	102,478
Public works	175,194	36,607	130,262
Health and social services	3,000	0	0
Culture and recreation	186,360	14,144	8,817
Community and economic development	21,690	0	0
General government	80,858	3,814	3,649
Debt service	100,838	0	0
Capital projects	1,358,507	0	0
Total governmental activities	2,232,790	55,215	245,206
Business type activities:			
Water	95,577	172,648	0
Sewer	79,328	93,676	0
Gas	636,207	573,202	0
Total business type activities	811,112	839,526	0
Total	\$ 3,043,902	894,741	245,206
Component Unit:			
Electric utility	\$ 853,622	742,678	16,500

General Receipts:

Property tax levied for:
 General purposes
 Debt service
 Employee benefits
 Tax increment financing
 Local option sales tax
 Grants and contributions not restricted
 to 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

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Capital projects
 Debt service
 Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets			Component Unit
	Governmental Activities	Business Type Activities	Total	Electric Utility
0	(203,215)	0	(203,215)	0
0	(8,325)	0	(8,325)	0
0	(3,000)	0	(3,000)	0
0	(163,399)	0	(163,399)	0
0	(21,690)	0	(21,690)	0
0	(73,395)	0	(73,395)	0
0	(100,838)	0	(100,838)	0
1,050,242	(308,265)	0	(308,265)	0
<u>1,050,242</u>	<u>(882,127)</u>	<u>0</u>	<u>(882,127)</u>	<u>0</u>
0	0	77,071	77,071	0
0	0	14,348	14,348	0
0	0	(63,005)	(63,005)	0
<u>0</u>	<u>0</u>	<u>28,414</u>	<u>28,414</u>	<u>0</u>
<u>1,050,242</u>	<u>(882,127)</u>	<u>28,414</u>	<u>(853,713)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(94,444)</u>
\$	329,503	0	329,503	0
	145,839	0	145,839	0
	48,258	0	48,258	0
	70,218	0	70,218	0
	79,703	0	79,703	0
	1,590	0	1,590	0
	14,964	14,372	29,336	19,730
	1,514,700	0	1,514,700	0
	1,559	29,186	30,745	11,583
	134	0	134	0
	<u>13,131</u>	<u>(13,131)</u>	<u>0</u>	<u>0</u>
	<u>2,219,599</u>	<u>30,427</u>	<u>2,250,026</u>	<u>31,313</u>
	1,337,472	58,841	1,396,313	(63,131)
	<u>543,097</u>	<u>652,464</u>	<u>1,195,561</u>	<u>749,542</u>
\$	<u>1,880,569</u>	<u>711,305</u>	<u>2,591,874</u>	<u>686,411</u>
\$	1,084,708	0	1,084,708	0
	52,003	0	52,003	36,989
	94,555	0	94,555	0
	<u>649,303</u>	<u>711,305</u>	<u>1,360,608</u>	<u>649,422</u>
\$	<u>1,880,569</u>	<u>711,305</u>	<u>2,591,874</u>	<u>686,411</u>

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

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>
Receipts			
Property tax	\$ 314,140	0	145,772
Tax increment financing collections	0	0	0
Other city tax	15,363	0	67
Licenses and permits	3,814	0	0
Use of money and property	14,964	1,673	0
Intergovernmental	109,746	1,048,569	0
Charges for service	51,099	0	0
Special assessments	302	0	0
Miscellaneous	8,347	0	0
Total receipts	<u>517,775</u>	<u>1,050,242</u>	<u>145,839</u>
Disbursements			
Operating:			
Public safety	306,343	0	0
Public works	59,784	0	0
Health and social services	3,000	0	0
Culture and recreation	186,360	0	0
Community and economic development	6,494	0	0
General government	80,858	0	0
Debt service	0	0	100,838
Capital projects	0	1,358,507	0
Total disbursements	<u>642,839</u>	<u>1,358,507</u>	<u>100,838</u>
Excess (deficiency) of receipts over (under) disbursements	(125,064)	(308,265)	45,001
Other financing sources (uses):			
Sale of capital assets	134	0	0
Bond note proceeds net of discount	0	1,514,700	0
Operating transfers in	54,505	0	6,884
Operating transfers out	0	0	0
Total other financing sources (uses)	<u>54,639</u>	<u>1,514,700</u>	<u>6,884</u>
Net change in cash balances	(70,425)	1,206,435	51,885
Cash balances beginning of year	<u>841,366</u>	<u>(121,727)</u>	<u>118</u>
Cash balances end of year	<u>\$ 770,941</u>	<u>1,084,708</u>	<u>52,003</u>
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ 0	0	52,003
Unreserved:			
General fund	770,941	0	0
Special revenue funds	0	0	0
Capital projects fund	<u>0</u>	<u>1,084,708</u>	<u>0</u>
Total cash basis fund balances	<u>\$ 770,941</u>	<u>1,084,708</u>	<u>52,003</u>

See notes to financial statements

Other Nonmajor Governmental Funds	Total
48,235	508,147
70,218	70,218
79,726	95,156
0	3,814
0	16,637
130,262	1,288,577
0	51,099
0	302
0	8,347
<u>328,441</u>	<u>2,042,297</u>
0	306,343
115,410	175,194
0	3,000
0	186,360
15,196	21,690
0	80,858
0	100,838
0	1,358,507
<u>130,606</u>	<u>2,232,790</u>
197,835	(190,493)
0	134
0	1,514,700
0	61,389
(48,258)	(48,258)
<u>(48,258)</u>	<u>1,527,965</u>
149,577	1,337,472
<u>(176,660)</u>	<u>543,097</u>
<u>(27,083)</u>	<u>1,880,569</u>
0	52,003
0	770,941
(27,083)	(27,083)
<u>0</u>	<u>1,084,708</u>
<u>(27,083)</u>	<u>1,880,569</u>

City of Woodbine
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets -
 Governmental Funds
 As of and for the year ended June 30, 2004

Total governmental funds cash balances	\$	1,880,569
 <i>Adjustments</i>		
None		0
Cash basis net assets of governmental activities	\$	1,880,569
Net change in cash balances	\$	1,337,472
 <i>Adjustments</i>		
None		0
Change in cash balance of governmental activities	\$	1,337,472

See notes to financial statements

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

	Enterprise Funds		
	Water	Sewer	Gas
Operating receipts:			
Charges for service	\$ 172,648	93,676	573,202
Operating disbursements:			
Business type activities	<u>95,577</u>	<u>79,328</u>	<u>636,207</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	77,071	14,348	(63,005)
Non-operating receipts:			
Interest on investments	1,437	1,437	11,498
Miscellaneous	<u>1,072</u>	<u>1,651</u>	<u>26,463</u>
Total non-operating receipts	<u>2,509</u>	<u>3,088</u>	<u>37,961</u>
Excess (deficiency) of receipts over (under) disbursements	79,580	17,436	(25,044)
Other financing sources (uses):			
Operating transfers in	0	0	622
Operating transfers out	<u>(10,311)</u>	<u>(3,442)</u>	<u>0</u>
Total financing sources (uses)	<u>(10,311)</u>	<u>(3,442)</u>	<u>622</u>
Net change in cash balances	69,269	13,994	(24,422)
Cash balances beginning of year	<u>204,692</u>	<u>107,779</u>	<u>339,993</u>
Cash balances end of year	\$ <u><u>273,961</u></u>	<u><u>121,773</u></u>	<u><u>315,571</u></u>

Cash Basis Fund Balances

Unreserved	\$ <u><u>273,961</u></u>	<u><u>121,773</u></u>	<u><u>315,571</u></u>
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See notes to financial statements

Total

839,526

811,112

28,414

14,372

29,186

43,558

71,972

622

(13,753)

(13,131)

58,841

652,464

711,305

711,305

City of Woodbine
 Reconciliation of the Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 to the Statement of Activities and Net Assets –
 Proprietary Funds
 As of and for the year ended June 30, 2004

Total enterprise funds cash balances	\$	711,305
<i>Adjustments</i>		
None		0
Cash basis net assets of business type activities	\$	711,305
Net change in cash balances	\$	58,841
<i>Adjustments</i>		
None		0
Change in cash balance of business type activities	\$	58,841

See notes to financial statements

City of Woodbine

City of Woodbine
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies

The City of Woodbine is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and gas utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Woodbine (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discrete Component Unit

Woodbine Municipal Light and Power is presented in a separate column to emphasize that it is legally separate from the city, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a three member board appointed by the City Council and its operating budget is subject to the approval of the City Council.

City of Woodbine
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies – Continued

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City representatives are members of the following commissions: Harrison County Landfill Commission and Harrison County Emergency Management 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.

City of Woodbine
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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.

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 construction of capital facilities with the exception of those that are financed through enterprise funds.

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 sanitary sewer system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Woodbine 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.

City of Woodbine
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety and public works functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2002, to compute the amounts which became liens on property on July 1, 2003. These taxes were due and payable in two installments on September 30, 2003 and March 31, 2004, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$2,591,874.

NOTE (3) Notes Receivable

The City of Woodbine approved consumer financing for gas efficient furnaces, water heaters, gas log fireplaces, and gas dryers for 90% of cost, up to \$2,000. Consumers repay the loans over a 5 year period at zero interest rates through a monthly charge included on their utility billings. Financing transactions during the current fiscal year are as follows:

Beginning balance	\$ 40,097
Amounts financed	29,714
Payments received	<u>(22,254)</u>
	<u>\$ 47,557</u>

City of Woodbine
Notes to Financial Statements
June 30, 2004

NOTE (4) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation notes are as follows:

Year Ended June 30,	General Obligation Notes	
	Principal	Interest
2005	\$ 135,000	\$ 62,120
2006	135,000	57,102
2007	145,000	52,040
2008	95,000	46,515
2009	100,000	43,665
2010-2014	545,000	167,525
2015-2018	515,000	54,590
Total	\$ 1,670,000	\$ 483,557

Interest costs paid during the year ended June 30, 2004 totaled \$55,288.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,000,000 which was not exceeded during the year ended June 30, 2004.

NOTE (5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70 % of their annual salary and the City is required to contribute 5.75 % of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, and 2003, was \$21,220, and \$20,379, respectively, equal to the required contributions for each year.

City of Woodbine
Notes to Financial Statements
June 30, 2004

NOTE (6) 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 approximate liability for earned vacation benefits payable to employees at June 30, 2004, primarily relating to the General Fund, is \$8,968. This liability is computed based on rates of pay as of June 30, 2004.

NOTE (7) Interfund Transfers

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

Transfer to	Transfer from	Amount
General:	Special Revenue:	
	Employee Benefits	\$ 48,258
	Enterprise:	
	Water	6,247
		<u>54,505</u>
Debt Service:	Enterprise:	
	Water	3,442
	Sewer	3,442
		<u>6,884</u>
Enterprise:	Enterprise:	
Gas	Water	622
		<u>\$ 62,011</u>

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

NOTE (8) Risk Management

The City of Woodbine is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liabilities 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.

City of Woodbine
Notes to Financial Statements
June 30, 2004

NOTE (9) Lease Agreements

The City leased a building under a cancelable lease arrangement. Rental expense for the year ended June 30, 2004 was \$400. There are no minimum required annual lease payments.

NOTE (10) Urban Renewal Tax Increment Financing Development Agreements

Brookview Development Agreement

In March 2000, the City entered into an agreement with Brookview Development. The developer agrees to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing housing units. In exchange, the City agrees to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$184,044. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2002 and continue for nine fiscal years or until the total has been paid. The City shall retain 37.29% of the urban renewal tax increment revenue for the purpose of providing assistance to low and moderate income (LMI) families, and pay the remaining 62.71% to the developer. The City paid the developer \$8,523 during the year.

410 Walker LLC Development Agreement

In March 2002, the City entered into an agreement with 410 Walker LLC. The developer agrees to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing a building which includes commercial space and affordable housing units. In exchange, the City agrees to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$85,000. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2004 and continue for nine fiscal years or until the total has been paid. The City paid the developer \$4,503 during the year. In addition, from January to June 2002, the City loaned the developer a non interest bearing note of \$50,000 to be repaid with urban renewal LMI tax increment funds retained by the City on the Brookview Development agreement, and any other eligible Harrison County urban renewal areas supporting residential development. The balance on the note was \$40,954 at June 30, 2004.

NOTE (11) Deficit Fund Balances

The Special Revenue Fund, Urban Renewal Tax Increment Account had a deficit balance of \$121,638 at June 30, 2004. The City intends to eliminate the deficit through the receipt of tax increment financing collections.

City of Woodbine
Notes to Financial Statements
June 30, 2004

NOTE (12) Construction Commitments

The City of Woodbine has the following construction contract that was not completed as of June 30, 2004:

<u>Street Construction</u>	<u>Estimated Total Contract Price</u>	<u>Paid to June 30, 2003</u>	<u>Remaining Commitment</u>	<u>Retainage Payable</u>
Construction Project	\$ 1,624,563	\$ 1,574,761	\$ <u>49,802</u>	\$ <u>48,704</u>

NOTE (13) Subsequent Events

In July, 2004, the City entered into a construction contract for \$428,531 for a street project to be financed from road use tax funds. In August, 2004, the City adjusted the contract an additional \$17,961. In August, the City also approved the purchase of computer hardware for \$7,000.

NOTE (14) Accounting Change and Restatements

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

The government-wide financial statement reports the City’s governmental and business type activities. The accounting change has no effect on beginning net assets.

Required Supplementary Information

City of Woodbine
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Actual</u>
Receipts			
Property tax	\$ 508,147	0	508,147
Tax increment financing collections	70,218	0	70,218
Other city tax	95,156	0	95,156
Licenses and permits	3,814	0	3,814
Use of money and property	16,637	14,372	31,009
Intergovernmental	1,288,577	0	1,288,577
Charges for service	51,099	839,526	890,625
Special assessments	302	0	302
Miscellaneous	8,347	29,186	37,533
Total receipts	<u>2,042,297</u>	<u>883,084</u>	<u>2,925,381</u>
Disbursements			
Public safety	306,343	0	306,343
Public works	175,194	0	175,194
Health and social services	3,000	0	3,000
Culture and recreation	186,360	0	186,360
Community and economic development	21,690	0	21,690
General government	80,858	0	80,858
Debt service	100,838	0	100,838
Capital projects	1,358,507	0	1,358,507
Business type activities	0	811,112	811,112
Total disbursements	<u>2,232,790</u>	<u>811,112</u>	<u>3,043,902</u>
Excess (deficiency) of receipts over (under) disbursements	(190,493)	71,972	(118,521)
Other financing sources, net	<u>1,527,965</u>	<u>(13,131)</u>	<u>1,514,834</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,337,472	58,841	1,396,313
Balances beginning of year	<u>543,097</u>	<u>652,464</u>	<u>1,195,561</u>
Balances end of year	<u>\$ 1,880,569</u>	<u>711,305</u>	<u>2,591,874</u>

See accompanying independent auditor's report

Original Budgeted Amounts	Budget to Actual Variance
510,293	(2,146)
26,000	44,218
46,000	49,156
2,125	1,689
3,000	28,009
1,161,269	127,308
1,084,404	(193,779)
0	302
412,873	(375,340)
<u>3,245,964</u>	<u>(320,583)</u>
197,500	(108,843)
147,785	(27,409)
3,000	0
206,842	20,482
128,000	106,310
487,873	407,015
147,546	46,708
2,375,000	1,016,493
1,306,604	495,492
<u>5,000,150</u>	<u>1,956,248</u>
(1,754,186)	1,635,665
<u>1,500,000</u>	<u>14,834</u>
(254,186)	1,650,499
<u>1,138,255</u>	<u>57,306</u>
<u><u>884,069</u></u>	<u><u>1,707,805</u></u>

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

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

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety and public works functions.

Other Supplementary Information

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

			Special Urban Renewal Tax Increment
	Road Use Tax	Employee Benefits	Increment
Receipts:			
Property tax	\$ 0	48,235	0
Tax increment financing collections	0	0	70,218
Other city tax	0	23	0
Intergovernmental	130,262	0	0
Total receipts	130,262	48,258	70,218
Disbursements:			
Operating:			
Public works	115,410	0	0
Community and economic development	0	0	15,196
Total disbursements	115,410	0	15,196
Excess (deficiency) of receipts over (under) disbursements	14,852	48,258	55,022
Other financing uses:			
Operating transfers out	0	(48,258)	0
Net change in cash balances	14,852	0	55,022
Cash balances beginning of year	0	0	(176,660)
Cash balances end of year	\$ 14,852	0	(121,638)
 Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 14,852	0	(121,638)

See accompanying independent auditor's report

<u>Revenue</u>	
<u>Local Option Sales Tax</u>	<u>Total</u>
0	48,235
0	70,218
79,703	79,726
<u>0</u>	<u>130,262</u>
79,703	328,441
0	115,410
<u>0</u>	<u>15,196</u>
<u>0</u>	<u>130,606</u>
79,703	197,835
<u>0</u>	<u>(48,258)</u>
79,703	149,577
<u>0</u>	<u>(176,660)</u>
<u>79,703</u>	<u>(27,083)</u>
<u>79,703</u>	<u>(27,083)</u>

City of Woodbine
 Schedule of Indebtedness
 Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Street improvement	Dec 1, 1996	5.15 - 5.35 %	\$ 400,000
Street improvement	Aug 1, 2003	3.00 - 4.25 %	1,530,000
Total			

See accompanying independent auditor's report

Schedule 2

<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>	<u>Interest Due and Unpaid</u>
\$ 185,000	0	45,000	140,000	9,650	0
<u>0</u>	<u>1,530,000</u>	<u>0</u>	<u>1,530,000</u>	<u>45,638</u>	<u>0</u>
<u>\$ 185,000</u>	<u>1,530,000</u>	<u>45,000</u>	<u>1,670,000</u>	<u>55,288</u>	<u>0</u>

City of Woodbine
 Bond and Note Maturities
 June 30, 2004

Year Ending June 30,	General Obligation Notes				
	Street Improvement Issued Dec 1, 1996		Street Improvement Issued Aug 1, 2003		Total
	Interest Rate	Amount	Interest Rate	Amount	
2005	5.15 %	\$ 45,000	3.00 %	\$ 90,000	\$ 135,000
2006	5.25 %	45,000	3.00 %	90,000	135,000
2007	5.35 %	50,000	3.00 %	95,000	145,000
2008	-	0	3.00 %	95,000	95,000
2009	-	0	3.00 %	100,000	100,000
2010	-	0	3.20 %	100,000	100,000
2011	-	0	3.40 %	105,000	105,000
2012	-	0	3.60 %	110,000	110,000
2013	-	0	3.80 %	115,000	115,000
2014	-	0	3.90 %	115,000	115,000
2015	-	0	4.00 %	120,000	120,000
2016	-	0	4.00 %	125,000	125,000
2017	-	0	4.10 %	130,000	130,000
2018	-	0	4.25 %	140,000	140,000
Total		\$ 140,000		\$ 1,530,000	\$ 1,670,000

See accompanying independent auditor's report.

City of Woodbine
 Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds
 For the Last Four Years

	2004	2003	Unaudited 2002	2001
Receipts				
Property tax	\$ 508,147	409,468	396,634	376,764
Tax increment financing collections	70,218	49,816	37,281	31,227
Other city tax	95,156	89,270	93,576	124,773
Licenses and permits	3,614	965	2,588	1,457
Use of money and property	16,637	19,746	25,043	46,613
Intergovernmental	1,288,577	274,575	248,565	298,079
Charges for service	51,099	50,117	47,350	43,558
Special assessments	302	0	3,794	2,776
Miscellaneous	8,347	50,596	30,229	187,591
Total	\$ <u>2,042,097</u>	<u>944,553</u>	<u>885,060</u>	<u>1,112,838</u>
Disbursements				
Operating:				
Public safety	\$ 306,343	182,109	159,093	123,097
Public works	175,194	191,610	142,087	151,257
Health and social services	3,000	3,000	3,000	3,000
Culture and recreation	186,360	168,934	189,051	157,115
Community and economic development	21,690	13,433	6,052	10,554
General government	80,858	100,381	140,163	54,369
Debt service	100,838	51,950	53,910	55,590
Capital projects	1,358,507	582,830	221,871	510,880
Total	\$ <u>2,232,790</u>	<u>1,294,247</u>	<u>915,227</u>	<u>1,065,862</u>

See accompanying independent auditor's report

City of Woodbine
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Justice Public Safety Partnership and Community Policing Grants	16.710		\$ 23,860
U.S. Department of Agriculture: Communities Facilities Grant	10.766		80,000
Indirect:			
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	STP-E-8525	408,643
Safety Incentive Grants for Use of Seatbelts	20.604	FY04	<u>2,750</u>
Total			\$ <u>515,253</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Woodbine. The City of Woodbine’s financial statements are presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Woodbine

September 1, 2004

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

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Woodbine, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 1, 2004. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Woodbine's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 City of Woodbine's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our 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, we believe the reportable condition described above, item II-A-04, is a material weakness. The prior year reportable condition has not been resolved.

Continued...

City of Woodbine
Independent Auditor's Report on
Internal Control and Compliance

Compliance

As part of obtaining reasonable assurance about whether the City of Woodbine'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 non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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 items IV-B-04, IV-J-04, and IV-K-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 Woodbine and other parties to whom the City of Woodbine 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 Woodbine 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.

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

September 1, 2004

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Woodbine, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. City of Woodbine's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Woodbine's management. Our responsibility is to express an opinion on the City of Woodbine's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Woodbine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Woodbine's compliance with those requirements.

In our opinion, the City of Woodbine complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Continued...

City of Woodbine
Report on Compliance with
Requirements Applicable to Each Major Program

Internal Control Over Compliance

The management of the City of Woodbine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Woodbine's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by errors or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 Woodbine and other parties to whom the City of Woodbine may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

City of Woodbine
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I: Summary of the Independent Auditors' Result:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) The audit of the financial statements disclosed a reportable condition in internal control over financial reporting which was also considered a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit of the financial statements did not disclose any reportable conditions in internal control over the major program.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 - Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Woodbine did not qualify as a low-risk auditee.

City of Woodbine
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties

Comment – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one of the City's employees has control over payroll preparing and distributing.

One person has control over depositing; warrant writing, posting, and reconciling for the Library.

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

Response – We will investigate alternative procedures.

Conclusion – Response accepted.

City of Woodbine
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part III: Findings and Questioned Cost for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No comments or recommendations.

City of Woodbine
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

IV-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.

IV-B-04 Certified Budget

Comment - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the Public Safety and Public Works functions. Chapter 384.20 of the Code of Iowa states in part that “monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

IV-C-04 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

IV-D-04 Travel Expense

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

IV-E-04 Business Transactions

No business transactions were noted between the City and City officials or employees. However, the City paid an official of the Municipal Utility (a component unit of the City) \$8,523 pursuant to an urban renewal tax increment financing development agreement and \$8,537 for lawn care services. Per the City Attorney, the transactions do not appear to represent a conflict of interest.

IV-F-04 Bond Coverage

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

City of Woodbine
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting - Continued:

IV-G-04 Council Minutes

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

IV-H-04 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.

IV-I-04 Revenue Notes

The City had no revenue debt.

IV-J-04 Financial Condition

Comment – The Special Revenue Fund, Urban Renewal Tax Increment Account had a deficit balance at June 30, 2004.

Recommendation – The City should monitor activity in this fund in order to return this account to a sound financial position.

Response – The City intends to eliminate the deficit through tax increment financing collections.

Conclusion – Response accepted.

IV-K-04 Excess Balances

Comment – The balances in the General Fund, Special Revenue, Local Option Sales Tax Account, and the Enterprise Funds, Water and Sewer Rental Accounts, were in excess of each of the accounts' disbursements for the year.

Recommendation – The City should consider the necessity of maintaining the substantial balances and where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response – The City accumulated funds for a capital improvement project. We will review this further.

Conclusion – Response acknowledged.

NEWS RELEASE

Schroer & Associates, P.C. today released an audit report on the City of Woodbine, Iowa.

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

The City's receipts totaled \$4,440,215 for the year ended June 30, 2004, a 146 percent increase from 2003. The receipts included \$523,600 in property tax, \$70,218 from tax increment financing collections, \$894,741 from charges for service, \$245,206 from operating grants, contributions and restricted interest, \$1,050,242 for capital grants, contributions and restricted interest, \$79,703 from local option sales tax, \$29,336 from unrestricted investment earnings, \$1,514,700 from bond proceeds and \$32,469 from other general receipts.

Disbursements for the year totaled \$3,043,902, a 95 percent increase from the prior year, and included \$1,358,507 for capital projects, \$306,343 for public safety, and \$186,360 for culture and recreation. Also, disbursements for business type activities totaled \$811,112.

The significant increase in receipts and disbursements is due primarily to a capital project financed with bond proceeds and federal grant monies.

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

October 15, 2004

To the Honorable Mayor and
Members of the City Council
City of Woodbine
517 Walker Street
Woodbine, IA 51579

We have compiled the annual financial report of the City of Woodbine for the year ended June 30, 2004, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the State of Iowa information that is the representation of management. We have not audited or reviewed the financial statements referred to above, and accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the State of Iowa, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.