

City of West Point

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

June 30, 2005

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City of West Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paul Walker	Mayor	January 3, 2006
Vicki Kokjohn	Council Member	January 3, 2006
Linda Kruse	Council Member	January 3, 2006
Greg Stuekerjuergen	Council Member	January 3, 2006
Bruce Wellman	Council Member	January 3, 2006
Mike Winnike	Council Member	January 3, 2006
Art White	City Administrator	Not Elected
Mary Winnike	City Clerk/Treasurer	Not Elected
William Ward	Utility Trustee	July 1, 2006
Bernard Abolt	Utility Trustee	July 1, 2008
Gary Menke	Utility Trustee	July 1, 2010

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



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Point, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Point's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards 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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004.

The financial statements referred to above include only the primary government of the City of West Point, Iowa, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of West Point, Iowa, as of June 30, 2005, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Point as of June 30, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our reports dated September 20, 2005 on our consideration of the City of West Point's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Budgetary comparison information on pages 13 and 14 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Point's basic financial statements. Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Walker Egerton & Hunsaker PC

September 20, 2005

City of West Point
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2005

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Public safety	\$ 97,775	\$ 19,110	\$ -	\$ -	\$ (78,665)	\$ -	\$ (78,665)
Public works	86,260	-	-	-	(86,260)	-	(86,260)
Culture and recreation	107,823	12,515	-	-	(95,308)	-	(95,308)
General government	105,591	-	-	-	(105,591)	-	(105,591)
Debt service	<u>11,066</u>	-	-	-	<u>(11,066)</u>	-	<u>(11,066)</u>
Total governmental activities	408,515	31,625	-	-	(376,890)	-	(376,890)
Business type activities:							
Electric	874,530	1,017,505	-	-	-	142,975	142,975
Water	147,366	119,912	-	-	-	(27,454)	(27,454)
Sewer	<u>124,506</u>	<u>91,617</u>	-	-	-	<u>(32,889)</u>	<u>(32,889)</u>
Total business type activities	<u>1,146,402</u>	<u>1,229,034</u>	-	-	-	<u>82,632</u>	<u>82,632</u>
Total	<u>\$ 1,554,917</u>	<u>\$ 1,260,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(376,890)</u>	<u>82,632</u>	<u>(294,258)</u>
General Receipts:							
Property tax levied for:							
General purposes					128,779	-	128,779
Local option sales tax					42,631	28,420	71,051
Road use tax					81,483	-	81,483
Unrestricted investment earnings					3,953	11,880	15,833
Transfers					6,651	(6,651)	-
Miscellaneous					<u>76,408</u>	<u>67,704</u>	<u>144,112</u>
Total general receipts and transfers					<u>339,905</u>	<u>101,353</u>	<u>441,258</u>
Change in cash basis net assets					(36,985)	183,985	147,000
Cash basis net assets beginning of year					<u>285,885</u>	<u>681,364</u>	<u>967,249</u>
Cash basis net assets end of year					<u>\$ 248,900</u>	<u>\$ 865,349</u>	<u>\$ 1,114,249</u>
Cash Basis Net Assets:							
Restricted:							
Streets					\$ (6,198)	\$ -	\$ (6,198)
Other purposes					8,782	-	8,782
Unrestricted					<u>246,316</u>	<u>865,349</u>	<u>1,111,665</u>
Total cash basis net assets					<u>\$ 248,900</u>	<u>\$ 865,349</u>	<u>\$ 1,114,249</u>

See notes to financial statements.

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

	Special Revenue				
	General	Road Use	Library Funds	Other Nonmajor Governmental	Total
Receipts:					
Property tax	\$ 128,779	\$ -	\$ -	\$ -	\$ 128,779
Other taxes	42,631	-	-	-	42,631
Use of money and property	3,938	-	-	15	3,953
License and permits	1,221	-	-	-	1,221
Intergovernmental	3,213	81,483	-	-	84,696
Charges for services	28,817	-	-	-	28,817
Miscellaneous	63,636	-	11,146	-	74,782
Total receipts	272,235	81,483	11,146	15	364,879
Disbursements:					
Operating:					
Public safety	97,775	-	-	-	97,775
Public works	-	86,260	-	-	86,260
Culture and recreation	93,389	-	14,434	-	107,823
General government	105,591	-	-	-	105,591
Debt service	7,318	3,748	-	-	11,066
Capital projects	-	-	-	-	-
Total disbursements	304,073	90,008	14,434	-	408,515
Excess (deficiency) of receipts over disbursements	(31,838)	(8,525)	(3,288)	15	(43,636)
Other financing sources (uses):					
Bond proceeds	-	-	-	-	-
Operating transfers in (out)	23,517	553	(17,419)	-	6,651
Net change in cash balances	(8,321)	(7,972)	(20,707)	15	(36,985)
Cash balances beginning of year	254,637	1,774	28,061	1,413	285,885
Cash balances end of year	\$ 246,316	\$ (6,198)	\$ 7,354	\$ 1,428	\$ 248,900
Cash Basis Fund Balances					
Reserved:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:					
General fund	246,316	-	-	-	246,316
Special revenue fund	-	(6,198)	7,354	1,428	2,584
Capital projects fund	-	-	-	-	-
Total cash basis fund balances	\$ 246,316	\$ (6,198)	\$ 7,354	\$ 1,428	\$ 248,900

See notes to financial statements.

City of West Point
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2005

	Enterprise Funds			
	<u>Electric</u> <u>Service</u>	<u>Water</u> <u>Service</u>	<u>Sewer</u> <u>Service</u>	<u>Total</u>
Receipts:				
Charges for services	\$ 1,017,505	\$ 119,912	\$ 91,617	\$ 1,229,034
Use of money and property	11,286	594	-	11,880
Other taxes	-	-	28,420	28,420
Miscellaneous	49,498	13,054	5,152	67,704
Total receipts	<u>1,078,289</u>	<u>133,560</u>	<u>125,189</u>	<u>1,337,038</u>
Disbursements:				
Business type activities	872,041	147,366	79,730	1,099,137
Debt service	2,489	-	44,776	47,265
Total disbursements	<u>874,530</u>	<u>147,366</u>	<u>124,506</u>	<u>1,146,402</u>
Excess (deficiency) of receipts over disbursements	<u>203,759</u>	<u>(13,806)</u>	<u>683</u>	<u>190,636</u>
Other financing sources (uses):				
Operating transfers in	-	3,819	-	3,819
Operating transfers out	(6,073)	-	(4,397)	(10,470)
	<u>(6,073)</u>	<u>3,819</u>	<u>4,397</u>	<u>(6,651)</u>
Net change in cash balances	197,686	(9,987)	(3,714)	183,985
Cash balances, beginning of year	<u>797,622</u>	<u>(96,455)</u>	<u>(19,803)</u>	<u>681,364</u>
Cash balances, end of year	<u>\$ 995,308</u>	<u>\$ (106,442)</u>	<u>\$ (23,517)</u>	<u>\$ 865,349</u>
Cash Basis Fund Balances				
Reserved for equipment replacement	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>995,308</u>	<u>(106,442)</u>	<u>(23,517)</u>	<u>865,349</u>
Total cash basis fund balances	<u>\$ 995,308</u>	<u>\$ (106,442)</u>	<u>\$ (23,517)</u>	<u>\$ 865,349</u>

See notes to financial statements.

City of West Point
Notes to Financial Statements
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies

The City of West Point is a political subdivision of the State of Iowa located in Lee County. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water, electricity, solid waste and sewer utilities for its citizens.

Reporting Entity

Except as discussed below, for financial reporting purposes, the City of West Point 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 West Point (the primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The West Point Public Library Foundation is a non-profit organization created for the purpose of solicitation and collection of funds for the enhancement and financial support of the Public Library of West Point, Iowa. The Foundation is governed by a seven member board. Complete financial statements (December 31 year end) for the individual component unit can be obtained directly from the Foundation.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commission: West Point Municipal Utility Board, Iowa Sesquicentennial Commission, Waste Management Fee Appeals Board, and the West Point/St. Paul Fire Association.

Other organizations which City officials are members of are the Planning & Zoning Commission and Board of Adjustments.

City of West Point
Notes to Financial Statements
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

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

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

City of West Point
Notes to Financial Statements
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

The City reports the following major proprietary funds:

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

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

The Electric Fund accounts for the operation and maintenance of the City's electrical system.

Measurement Focus and Basis of Accounting

The City of West Point maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, General Government and Debt Service functions exceeded the amounts budgeted.

Note 2. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2005 was \$19,195, equal to the required contribution.

City of West Point
Notes to Financial Statements
Year Ended June 30, 2005

Note 3. Bonds and Notes Payable

Bond Indebtedness

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 21,437	\$ 6,446	\$ 17,000	\$ 8,717	\$ 38,437	\$ 15,163
2007	12,000	5,902	17,000	7,945	29,000	13,847
2008	13,000	5,357	18,000	7,173	31,000	12,530
2009	13,000	4,767	18,000	6,356	31,000	11,123
2010	14,000	4,177	19,000	5,539	33,000	9,716
2011-2015	<u>78,000</u>	<u>10,943</u>	<u>103,000</u>	<u>14,390</u>	<u>181,000</u>	<u>25,333</u>
	<u>\$ 151,437</u>	<u>\$ 37,592</u>	<u>\$ 192,000</u>	<u>\$ 50,120</u>	<u>\$ 343,437</u>	<u>\$ 87,712</u>

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and that the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly cash transactions shall be made to separate revenue bond retirement accounts for the purpose of making the bond principal and interest payments when due.
- (c) Monthly cash transfers equal to a sum of one-twelfth of the principal of the Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Sinking Fund for the purpose of making bond interest and principal payments when due.
- (d) Additional monthly transfers shall be made to the Revenue Reserve Fund until specific minimum balances have been accumulated. Money in the Reserve Fund shall be used solely for the purpose of paying principal at maturity or interest on the bonds and parity obligations for the payment of which insufficient money shall be available in the Sinking Fund.
- (e) Funds remaining in the sewer account after payment of expenses and required transfers shall be placed in the Surplus Fund. As long as the Sinking Fund and the Reserve Fund have the required amounts, the Surplus Fund may be made available to the City and charged to operations of the utility.

At June 30, 2005 the City has not established the aforementioned reserve accounts as required in the sewer bond resolution.

City of West Point
Notes to Financial Statements
Year Ended June 30, 2005

Note 4. Cash and Investments

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

The City recorded interest receipts during the year of \$800.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2005, primarily relating to the General Fund is \$18,200, based on rates of pay in effect at June 30, 2005.

Note 6. Risk Management

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

Note 7. Related Party Transactions

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

City of West Point
Notes to Financial Statements
Year Ended June 30, 2005

Note 8. Commitments

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

Water main project	\$	146,500
Balance of mower cost		6,500
Land purchase		57,024
Utility poles		<u>8,790</u>
	\$	<u>218,814</u>

Note 9. Joint Venture

The City is a participant in the Great River Regional Waste Authority, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources.

Note 10. Deficit Fund Balance

The following funds had deficit balances at June 30, 2005: Road Use \$6,198; Water service \$106,442; and Sewer service \$23,517. These deficit balances were a result of costs incurred prior to availability of funds and failure to transfer funds at the appropriate times.

Note 11. Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005 disbursements in the General government and Debt service functions exceeded the amount budgeted.

Note 12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to:		
General Fund	\$	23,517
Road Use		<u>553</u>
	\$	<u>24,070</u>
Transfer from:		
Library Funds	\$	17,419
Enterprise Funds		<u>6,651</u>
	\$	<u>24,070</u>

**City of West Point
Notes to Financial Statements
Year Ended June 30, 2005**

City of West Point
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	Net	Budgeted Original	Amounts Final	Final to Net Variance
Receipts:							
Property tax	\$ 128,779	\$ -	\$ -	\$ 128,779	\$ 126,138	\$ 126,138	\$ 2,641
Tax increment financing collections	-	-	-	-	-	-	-
Other city taxes	42,631	28,420	-	71,051	73,426	73,426	(2,375)
Use of money and property	3,953	11,880	-	15,833	11,400	11,400	4,433
Licenses and permits	1,221	-	-	1,221	1,600	1,600	(379)
Intergovernmental	84,696	-	-	84,696	86,830	86,830	(2,134)
Charges for service	28,817	1,229,034	-	1,257,851	1,266,524	1,266,524	(8,673)
Miscellaneous	74,782	67,704	-	142,486	28,555	120,555	21,931
Total receipts	<u>364,879</u>	<u>1,337,038</u>	<u>-</u>	<u>1,701,917</u>	<u>1,594,473</u>	<u>1,686,473</u>	<u>15,444</u>
Disbursements:							
Public safety	97,775	-	-	97,775	81,712	99,712	1,937
Public works	86,260	-	-	86,260	82,430	86,430	170
Culture and recreation	107,823	-	-	107,823	81,490	126,990	19,167
General government	105,591	-	-	105,591	74,999	99,499	(6,092)
Debt service	11,066	47,265	-	11,066	7,318	7,318	(3,748)
Capital projects	-	-	-	-	-	-	-
Business type activities	-	1,099,137	-	1,099,137	1,266,524	1,266,524	167,387
Non-program	-	-	-	-	-	-	-
Total disbursements	<u>408,515</u>	<u>1,146,402</u>	<u>-</u>	<u>1,507,652</u>	<u>1,594,473</u>	<u>1,686,473</u>	<u>178,821</u>
Excess (deficiency) of receipts over disbursements	(43,636)	190,636	-	194,265	-	-	-
Other financing sources	<u>6,651</u>	<u>(6,651)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(36,985)	183,985	-	194,265	-	-	-
Balances beginning of year	<u>285,885</u>	<u>681,364</u>	<u>-</u>	<u>967,249</u>	<u>1,100,215</u>	<u>1,100,215</u>	<u>-</u>
Balances end of year	<u>\$ 248,900</u>	<u>\$ 865,349</u>	<u>\$ -</u>	<u>\$ 1,161,514</u>	<u>\$ 1,100,215</u>	<u>\$ 1,100,215</u>	<u>\$ -</u>

See accompanying independent auditor's report.

City of West Point
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, Internal Service, non-expendable trust, and agency funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$270,310. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the general government and debt service functions.

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

	<u>Safe Play</u>	<u>Tree Committee</u>	<u>Total</u>
Receipts:			
Use of money and property	\$ <u> 6</u>	\$ <u> 9</u>	\$ <u> 15</u>
Intergovernmental:			
CDBG Grant	<u> -</u>	<u> -</u>	<u> -</u>
Total receipts	<u> 6</u>	<u> 9</u>	<u> 15</u>
Excess (deficiency) of receipts over disbursements	6	9	15
Net change in cash balances	6	9	15
Cash balances, beginning of year	<u> 555</u>	<u> 858</u>	<u> 1,413</u>
Cash balances, end of year	<u> 561</u>	<u> 867</u>	<u> 1,428</u>

See accompanying independent auditor's report.

**City of West Point
Statement of Indebtedness
Year Ended June 30, 2005**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation debt:								
Sewer Improvement Bonds	6/30/95	4.54%	\$ 342,467	\$ 153,000	\$ -	\$ 11,000	\$ 142,000	\$ 6,946
Ford Motor Credit	12/31/02	5.45%	16,571	5,519	-	5,519	-	300
Caterpillar Financial	3/11/02	4.80%	45,604	<u>18,561</u>	<u>-</u>	<u>9,124</u>	<u>9,437</u>	<u>871</u>
				<u>177,080</u>	<u>-</u>	<u>25,643</u>	<u>151,437</u>	<u>8,117</u>
Revenue bonds:								
Sewer Revenue Bonds	6/30/95	4.54%	322,533	<u>207,000</u>	<u>-</u>	<u>15,000</u>	<u>192,000</u>	<u>9,396</u>
Total				<u>\$ 384,080</u>	<u>\$ -</u>	<u>\$ 40,643</u>	<u>\$ 343,437</u>	<u>\$ 17,513</u>

See accompanying independent auditor's report.

**City of West Point
Bond and Note Maturities
June 30, 2005**

General Obligation Bonds:

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	Sewer Improvement Notes June 30, 1995 <u>Amount</u>	Interest <u>Rate</u>	Cat Backhoe Caterpillar Fin. March 11, 2002 <u>Amount</u>	<u>Total</u>
2006	4.54%	\$ 12,000	4.80%	\$ 9,437	\$ 21,437
2007	4.54%	12,000	3.53%	-	12,000
2008	4.54%	13,000	3.53%	-	13,000
2009	4.54%	13,000	3.53%	-	13,000
2010	4.54%	14,000	3.53%	-	14,000
2011	4.54%	14,000	3.53%	-	14,000
2012	4.54%	15,000	3.53%	-	15,000
2013	4.54%	16,000	3.53%	-	16,000
2014	4.54%	16,000	3.53%	-	16,000
2015	4.54%	<u>17,000</u>	3.53%	<u>-</u>	<u>17,000</u>
		<u>\$ 142,000</u>		<u>\$ 9,437</u>	<u>\$ 151,437</u>

Revenue bonds:

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	Sewer Revenue June 30, 1995 <u>Amount</u>
2006	4.54%	\$ 17,000
2007	4.54%	17,000
2008	4.54%	18,000
2009	4.54%	18,000
2010	4.54%	19,000
2011	4.54%	19,000
2012	4.54%	20,000
2013	4.54%	20,000
2014	4.54%	22,000
2015	4.54%	<u>22,000</u>
		<u>\$ 192,000</u>

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council

We have audited the financial statements of the City of West Point, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. None of the reportable conditions described above is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Point and other parties to whom the City of West Point may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Point during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Walker Egerton & Hunsaker PC

September 20, 2005

**City of West Point
Schedule of Findings
Year Ended June 30, 2005**

Part I: Findings Related to the Financial Statements

REPORTABLE CONDITIONS

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

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

Response - We will consider this.

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

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the general government and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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.

II-C-05 Questionable Disbursements - We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-E-05 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provisions.
- II-F-05 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not always published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation -The City should comply with the Code of Iowa and publish minutes in a timely manner.

Response - Although we attempt to furnish the local paper the minutes in a timely manner, a weekly paper cannot always meet the requirements as stated above.

Conclusion - Response accepted.

- II-H-05 Revenue Notes - The City has not established the sinking and reserve accounts required by the sewer revenue note resolution.

Recommendation -The City should establish these accounts and make the required transfers.

Response - We have the required monies set aside to fulfill the reserve account requirements, but did not specify these funds to be for the sinking and reserve accounts. We will designate these funds as required by the resolution.

Conclusion - Response accepted.

- II-I-05 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-J-05 Financial Condition - The following funds had deficit balances at June 30, 2005: Road Use \$6,198; Water Service \$106,442; and the Sewer Service fund \$23,517.

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

Response - We will consider this.

Conclusion - Response accepted.

II-K-05 Payment of General Obligation Bonds - Certain general obligation bonds were paid from the Sewer Service funds. Chapter 384.4 of the Code of Iowa states in part that "monies pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund. The City failed to maintain a Debt Service Fund.

Recommendation - The City should maintain a Debt Service Fund and payments of the general obligation debt should be disbursed from that fund.

Response - We will consider this.

Conclusion - Response accepted.

II-L-05 Library Accounts - Volunteers for various library fund raising activities maintain separate accounts for donations and related disbursements. These accounts are not currently reflected on the City's financial statements and certain disbursements from these accounts may not meet the requirements of public purpose.

Recommendation - The City should review and record all activities of the library accounts and record these accounts on the City of West Point's financial statements.

Response - We will consider this.

Conclusion - Response accepted.

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION