

City of West Burlington

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

June 30, 2006

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City of West Burlington

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hans Trousil	Mayor	December, 2007
Marc Pilger	Council Member	December, 2009
Tom Law	Council Member	December, 2009
Rod Crowner	Council Member	December, 2007
Therese Lees	Council Member	December, 2007
Richard Raleigh	Council Member	December, 2007
Dan Gifford	City Administrator	Not Elected
Leslie L. Sattler	Finance Officer	Not Elected
Kelly D. Fry	City Clerk	Not Elected



214 North Fourth Street PO Box 547 Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaape.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Burlington's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington as of June 30, 2006, 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 August 18, 2006 on our consideration of the City of West Burlington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Burlington's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CPA Associates PC

August 18, 2006

City of West Burlington Management's Discussion and Analysis

The City of West Burlington provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 0.3%, or approximately \$12,100 from fiscal 2005 to fiscal 2006. Property tax decreased approximately \$2,500. This was due to the state rollback which went from 47.9642% for the fiscal year 2005 to 45.996% for the fiscal year 2006. Tax increment financing collections were up \$128,000 and intergovernmental receipts were \$262,800 less than the preceding year.
- Disbursements decreased 18.4%, or approximately \$966,100 in fiscal 2006 from fiscal 2005. Debt service disbursements decreased approximately \$327,300. Capital projects decreased \$1,065,000.
- The City's total cash basis net assets increased more than 10%, or approximately \$204,300, from June 30, 2005 to June 30, 2006.

The City continued its street improvement plan which has been funded primarily through tax increment financing. The City is also presently working on water projects estimated at a cost of 1.6 million dollars. The City received notice of a \$500,000 grant to be administered through the EPA. This grant will assist the City in making a second connection to the City of Burlington's water distribution system and providing water along Highway 406 Road.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- A) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from \$1.79 million to \$2.00 million. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2005</u>	<u>2006</u>
Receipts and transfers:		
Property tax	\$ 937	\$ 934
Tax increment financing collections	1,772	1,900
Local option sales tax	386	380
Road use funds	277	278
Grants and reimbursements	624	363
Use of money and property	60	86
Charges for services	104	227
Other receipts	350	198
Bond proceeds	-	137
Transfers, net	<u>(5)</u>	<u>(12)</u>
Total receipts and transfers	<u>4,505</u>	<u>4,491</u>
Disbursements:		
Public safety	1,046	1,370
Public works	456	451
Culture and recreation	81	101
Community and economic development	3	17
General government	227	299
Debt service	1,446	1,119
Capital projects	<u>1,995</u>	<u>930</u>
Total disbursements	<u>5,254</u>	<u>4,287</u>
Increase (decrease) in cash basis net assets	(749)	204
Cash basis net assets, beginning of year	<u>2,548</u>	<u>1,799</u>
Cash basis net assets, end of year	<u>\$ 1,799</u>	<u>\$ 2,003</u>

The City's total receipts for governmental activities decreased by .3%, or \$12,100. The total cost of all programs and services decreased by approximately \$966,100 or 18%, with no new programs added this year. The most significant decrease in expenditures was the result of finishing street projects which were from bond proceeds purchased in 2003.

The City maintained tax rates in 2005-2006 at \$9.75 per \$1,000 of valuation and absorbed the \$3,000 loss in property taxes due to the state increase in the rollback percentage allowed to be taxed on residential property. The City continued to keep health insurance costs down by increasing the deductible and out-of-pocket maximum through self-funding a greater portion of the risk. Through public works and police department union negotiations employees are also taking on a greater percentage of the premium.

The cost of all governmental activities this year was \$4.288 million compared to \$5.254 million last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was \$3.686 million because some of the cost was paid by those directly benefited from the programs (\$226,900) or by other governments and organizations that subsidized certain programs with grants and contributions (\$373,200). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2006 from approximately \$831,100 to approximately \$590,000, principally due to a decrease in operating and capital grants and contributions. Fees for garbage collection were increased by 47% or \$2.34 per resident. This allowed the city to fully recover the cost that it is paying to a private contractor to provide this service to residents. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$3,686,700 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	Year Ended June 30,	
	2005	2006
Program receipts		
Water charges	\$ 715	\$ 801
Sewer charges	342	394
Other miscellaneous receipts	<u>48</u>	<u>21</u>
Total receipts	<u>1,105</u>	<u>1,216</u>
Disbursements and transfers:		
Water	661	703
Sewer	445	430
Transfers	<u>(5)</u>	<u>(12)</u>
Total disbursements and transfers	<u>1,101</u>	<u>1,121</u>
Increase in cash balance	4	95
Cash basis net assets, beginning of year	<u>1,128</u>	<u>1,132</u>
Cash basis net assets, end of year	<u>\$ 1,132</u>	<u>\$ 1,227</u>

Total business type activities receipts for the fiscal year were \$1.216 million compared to \$1.105 million last year. This increase was due primarily to increased sales for water and a sewer rate increase. The cash balance increased by approximately \$95,400. Total disbursements and transfers for the fiscal year increased by approximately 1.82% to a total of \$1.121 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

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

Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,544,600, an increase of \$411,800 from the prior year. The City has significantly reduced the cost of property, liability and worker's compensation insurance through competitive quotes.
- The Road Use Tax Fund (RUTF) cash balance decreased by \$8,100 to \$1,200 during the fiscal year. This decrease is attributable to the City spending down the RUTF balance. State road tax funds are distributed based upon population and road miles and accordingly, the City's portion of these funds is larger as it has taken on additional road miles through agreement and by state law.
- Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. This year the City transferred 60% of these Option Sales Tax revenues go to the general fund. Debt Service is required to receive 25% of Local Option Sales Tax Revenues. The remainder goes to pay for capital projects, ambulance service and airport authority payments. At the end of the fiscal year, the fund experienced a deficit balance of \$17,100. The deficit was the result of proceeds of \$379,700 received from sales tax, \$369,200 transferred to other funds as indicated, and \$73,000 spent on government activities.

Proprietary Funds

The cash balance of the Enterprise Funds increased by \$95,400 to \$1,227,000. This increase was due in part to increases in water usage and sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 17, 2006 and resulted in an increase in disbursements of approximately \$750,556. Approximately 82% of this increase was due to expenditures for various capital projects.

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately \$3,507,000 in bonds and other long-term debt, compared to approximately \$4,195,000 last year, as shown below.

Outstanding Debt at Year End (Expressed in Thousands)	June 30,	
	<u>2005</u>	<u>2006</u>
General obligation bonds	\$ 3,075	\$ 2,475
Capital loan notes	-	137
Urban renewal tax increment financing	<u>1,120</u>	<u>895</u>
Total	<u>\$ 4,195</u>	<u>\$ 3,507</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt of \$2.475 million, capital loan note of \$136,996 and tax increment financing rebate agreements of \$2 million brings the City's debt limit to \$4.624 million, which is below its constitutional debt limit of \$9.26 million. In addition the City has urban renewal tax increment financing revenue bonds of \$895,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2007 fiscal year budget, tax rates, and fees that will be charged for various City activities. Those factors may include the economy, employment rates, operating expenses, capital projects, and increases in service and state mandates. Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.4 percent for fiscal year 2006 compared with the national rate of 4.3 percent. Inflation has been modest here due in part to the slowing of the residential housing market.

For fiscal year 2006-2007 the City's tax rate of \$9.75 per \$1,000 of taxable assessed valuation was increased to \$10.00.

Multiple indicators were taken into account when adopting the budget for fiscal year 2006-2007. Excluding grants and loans for water and street projects and transfers receipts were decreased by 5.8% and disbursements were decreased by 1.4%. Even with these reductions, expenditures exceed revenues by \$158,000. There are sufficient reserves to pay the difference between expenditures and revenues. This budget year is the first year the City will receive hotel/motel tax revenue. Approximately \$31,000 of revenue is expected to be received from the hotel/motel tax.

Also, local option sales tax, road use and water are expected to have revenues exceed expenditures for the fiscal year. The sewer fund is projected to exceed revenue by about \$6,000. The City has enough in reserve for sufficient cash flow for fiscal year 2006-2007.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the City Clerk, City of West Burlington, 122 Broadway, West Burlington, Iowa 52655.

Respectfully submitted,

Dan Gifford
City Administrator

City of West Burlington
Statement of Activities and Net Assets - Cash Basis
Year Ended June 30, 2006

	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	
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,370,520	\$ 82,877	\$ 81,231	\$ 90,751	\$ (1,115,661)	\$ -	\$ (1,115,661)
Public works	451,451	121,123	10,952	-	(319,376)	-	(319,376)
Culture and recreation	101,012	22,948	2,020	-	(76,044)	-	(76,044)
Community and economic development	16,837	-	-	-	(16,837)	-	(16,837)
General government	299,438	22	6,761	-	(292,655)	-	(292,655)
Debt service	1,118,576	-	-	-	(1,118,576)	-	(1,118,576)
Capital projects	<u>930,076</u>	<u>-</u>	<u>-</u>	<u>182,482</u>	<u>(747,594)</u>	<u>-</u>	<u>(747,594)</u>
Total governmental activities	4,287,910	226,970	100,964	273,233	(3,686,743)	-	(3,686,743)
Business type activities							
Water	694,065	800,863	-	-	-	106,798	106,798
Sewer	<u>429,739</u>	<u>393,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,128)</u>	<u>36,128</u>
Total business type activities	<u>1,123,804</u>	<u>1,194,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,670</u>	<u>70,670</u>
Total	<u>\$ 5,411,714</u>	<u>\$ 1,421,444</u>	<u>\$ 100,964</u>	<u>\$ 273,233</u>	<u>(3,686,743)</u>	<u>70,670</u>	<u>(3,616,073)</u>
General Receipts:							
Property tax levied for:							
General purposes					741,463	-	741,463
Tax increment financing					1,899,816	-	1,899,816
Debt service					160,342	-	160,342
Local option sales tax					379,745	-	379,745
Road use tax					277,645	-	277,645
Unrestricted investment earnings					86,271	140	86,411
Bond proceeds					136,996	-	136,996
Transfers					(12,115)	12,115	-
Miscellaneous					<u>220,866</u>	<u>12,481</u>	<u>233,347</u>
Total general receipts and transfers					<u>3,891,029</u>	<u>24,736</u>	<u>3,915,765</u>
Change in cash basis net assets					204,286	95,406	299,692
Cash basis net assets beginning of year					<u>1,799,175</u>	<u>1,131,605</u>	<u>2,930,780</u>
Cash basis net assets end of year					<u>\$ 2,003,461</u>	<u>\$ 1,227,011</u>	<u>\$ 3,230,472</u>
Cash Basis Net Assets							
Restricted:							
Streets					\$ 1,210	\$ -	\$ 1,210
Sales Tax					(17,141)	-	(17,141)
Other purposes					474,819	196,245	671,064
Unrestricted					<u>1,544,573</u>	<u>1,030,766</u>	<u>2,575,339</u>
Total cash basis net assets					<u>\$ 2,003,461</u>	<u>\$ 1,227,011</u>	<u>\$ 3,230,472</u>

See notes to financial statements.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
Year Ended June 30, 2006

	Special Revenue						Other Nonmajor Governmental	Total
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects		
Receipts:								
Property tax	\$ 773,855	\$ -	\$ -	\$ -	\$ 160,342	\$ -	\$ -	\$ 934,197
Tax increment financing collections	-	-	-	1,899,816	-	-	-	1,899,816
Other taxes	5,057	-	379,745	-	710	-	-	385,512
Use of money and property	82,034	-	-	-	-	4,237	-	86,271
License and permits	51,125	-	-	-	-	-	-	51,125
Intergovernmental	146,463	277,645	-	-	-	30,020	-	454,128
Charges for services	146,190	-	-	-	-	-	-	146,190
Miscellaneous	166,798	-	-	-	-	152,460	90,818	410,076
Total receipts	<u>1,371,522</u>	<u>277,645</u>	<u>379,745</u>	<u>1,899,816</u>	<u>161,052</u>	<u>186,717</u>	<u>90,818</u>	<u>4,367,315</u>
Disbursements:								
Operating:								
Public safety	1,341,835	-	28,685	-	-	-	-	1,370,520
Public works	186,374	246,814	18,263	-	-	-	-	451,451
Culture and recreation	82,525	-	-	-	-	-	18,487	101,012
Community and economic development	6,837	-	10,000	-	-	-	-	16,837
General government	219,169	-	-	-	-	2,974	77,295	299,438
Debt service	-	-	-	419,053	699,523	-	-	1,118,576
Capital projects	5,000	38,959	16,044	83,735	-	786,338	-	930,076
Total disbursements	<u>1,841,740</u>	<u>285,773</u>	<u>72,992</u>	<u>502,788</u>	<u>699,523</u>	<u>789,312</u>	<u>95,782</u>	<u>4,287,910</u>
Excess of receipts over disbursements	(470,218)	(8,128)	306,753	1,397,028	(538,471)	(602,595)	(4,964)	79,405
Other financing sources (uses):								
Debt proceeds	136,996	-	-	-	-	-	-	136,996
Operating transfers in (out)	745,057	-	(369,201)	(840,519)	534,979	(67,500)	(14,931)	(12,115)
Net change in cash balances	411,835	(8,128)	(62,448)	556,509	(3,492)	(670,095)	(19,895)	204,286
Cash balances beginning of year	<u>1,132,738</u>	<u>9,338</u>	<u>45,307</u>	<u>(394,753)</u>	<u>(4,671)</u>	<u>853,029</u>	<u>158,187</u>	<u>1,799,175</u>
Cash balances end of year	<u>\$ 1,544,573</u>	<u>\$ 1,210</u>	<u>\$ (17,141)</u>	<u>\$ 161,756</u>	<u>\$ (8,163)</u>	<u>\$ 182,934</u>	<u>\$ 138,292</u>	<u>\$ 2,003,461</u>
Cash Basis Fund Balances								
Reserved:								
Debt service	\$ -	\$ -	\$ -	\$ 161,756	\$ (8,163)	\$ -	\$ -	\$ 153,593
Unreserved:								
General fund	1,544,573	-	-	-	-	-	-	1,544,573
Special revenue fund	-	1,210	(17,141)	-	-	-	138,292	122,361
Capital projects fund	-	-	-	-	-	182,934	-	182,934
Total cash basis fund balances	<u>\$ 1,544,573</u>	<u>\$ 1,210</u>	<u>\$ (17,141)</u>	<u>\$ 161,756</u>	<u>\$ (8,163)</u>	<u>\$ 182,934</u>	<u>\$ 138,292</u>	<u>\$ 2,003,461</u>

See notes to financial statements.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
Year Ended June 30, 2006

	Enterprise Funds				
	<u>Water</u> <u>Service</u>	<u>Equipment</u> <u>Reserve</u>	<u>Sewer</u> <u>Service</u>	<u>Equipment</u> <u>Reserve</u>	<u>Total</u>
Receipts:					
Use of money and property:					
Charges for services	\$ 800,863	\$ -	\$ 393,611	\$ -	\$ 1,194,474
Interest	140	-	-	-	140
Special assessments	-	-	826	-	826
Miscellaneous	<u>12,861</u>	<u>-</u>	<u>7,652</u>	<u>-</u>	<u>20,513</u>
Total receipts	<u>813,864</u>	<u>-</u>	<u>402,089</u>	<u>-</u>	<u>1,215,953</u>
Disbursements:					
Business type activities					
Operations	645,526	8,858	429,739	-	1,084,123
Capital outlay	48,539	-	-	-	48,539
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>694,065</u>	<u>8,858</u>	<u>429,739</u>	<u>-</u>	<u>1,132,662</u>
Excess (deficiency) of receipts over disbursements	<u>119,799</u>	<u>(8,858)</u>	<u>(27,650)</u>	<u>-</u>	<u>83,291</u>
Other financing sources (uses):					
Operating transfers in	507	10,000	11,608	10,000	32,115
Operating transfers out	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>(20,000)</u>
	<u>(9,493)</u>	<u>10,000</u>	<u>1,608</u>	<u>10,000</u>	<u>12,115</u>
Net change in cash balances	110,306	1,142	(26,042)	10,000	95,406
Cash balances, beginning of year	<u>646,331</u>	<u>104,000</u>	<u>300,171</u>	<u>81,103</u>	<u>1,131,605</u>
Cash balances, end of year	<u>\$ 756,637</u>	<u>\$ 105,142</u>	<u>\$ 274,129</u>	<u>\$ 91,103</u>	<u>\$ 1,227,011</u>
Cash Basis Fund Balances					
Reserved for equipment replacement	\$ -	\$ 105,142	\$ -	\$ 91,103	\$ 196,245
Unreserved	<u>756,637</u>	<u>-</u>	<u>274,129</u>	<u>-</u>	<u>1,030,766</u>
Total cash basis fund balances	<u>\$ 756,637</u>	<u>\$ 105,142</u>	<u>\$ 274,129</u>	<u>\$ 91,103</u>	<u>\$ 1,227,011</u>

See notes to financial statements.

City of West Burlington
Notes to Financial Statements

Note 1. Significant Accounting Policies

The City of West Burlington is a political subdivision of the State of Iowa located in Des Moines County. It was first incorporated in 1884 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of West Burlington has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission and Southeast Iowa Regional Airport Authority Board. See Note 9 for details. Both of these organizations have financial statements available at City Hall.

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

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of West Burlington
Notes to Financial Statements

Note 1. Significant Accounting Policies (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

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

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

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

City of West Burlington
Notes to Financial Statements

Note 1. Significant Accounting Policies (continued)

The City reports the following major proprietary funds:

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

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

Measurement Focus and Basis of Accounting

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

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, no disbursements exceeded the amounts budgeted in the general government and business type activities functions.

Note 2. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.07%, respectively. For the year ended June 30, 2005, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively, and for the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$80,100, \$71,200, and \$69,900, respectively, equal to the required contributions for each year.

City of West Burlington
Notes to Financial Statements

Note 2. Pension and Retirement Benefits (continued)

International City Management Association

The Iowa Public Employees Retirement System regulations allows City Administrators to exempt themselves from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Administrator which allows up to 25% of salary with a maximum of \$11,000. For the years ended June 30, 2006, 2005, and 2004, these contributions totaled \$3,069, \$5,160, and \$4,410, respectively.

Note 3. Bonds and Notes Payable

Bond Indebtedness

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

Year Ending June 30.	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 669,105	\$ 90,803	\$ 225,000	\$ 32,115	\$ 894,105	\$ 122,918
2008	690,649	65,571	225,000	25,609	915,649	91,180
2009	437,242	37,858	225,000	18,915	662,242	56,773
2010	400,000	18,894	25,000	12,190	425,000	31,084
2011	415,000	19,666	30,000	10,978	445,000	30,644
2012-2016	-	-	165,000	29,733	165,000	29,733
	<u>\$ 2,611,996</u>	<u>\$ 232,792</u>	<u>\$ 895,000</u>	<u>\$ 129,540</u>	<u>\$ 3,506,996</u>	<u>\$ 362,332</u>

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

The interest rate on the general obligation bonds range from 2.95% to 6.0%. The total interest expense recorded for the year ended June 30, 2006 was \$218,154.

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

City of West Burlington
Notes to Financial Statements

Note 4. Cash and Investments

The City's deposits in banks at June 30, 2006 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 \$67,305.

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, 2006, primarily relating to the General Fund is \$79,390 based on rates of pay in effect at June 30, 2006.

Note 6. Risk Management

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

Note 7. Related Party Transactions

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

City of West Burlington
Notes to Financial Statements

Note 8. Commitments

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

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 distribution	\$ 145,461
Street construction	517,660
Invision software upgrade	<u>58,353</u>
	<u>\$ 721,474</u>

Note 9. Joint Venture

The City is a participant in the Des Moines County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the fifteen member board. The City paid approximately \$29,320 in recycling fees in fiscal year 2006.

The City also participates with the City of Burlington in an agreement with the Southeast Iowa Regional Airport Authority. The City appoints one member of the three member Board of Trustees. The City contributes \$18,000 per year (indefinitely) to the Airport, with a five year notice of cancellation requirement.

Note 10. Industrial Development Revenue Bonds

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

Note 11. Deficit Fund Balance

The Special Revenue Funds, Sales Tax account, had a deficit balance of \$17,141 at June 30, 2006. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of annual Sales Tax collections. The Debt Service Fund had a deficit balance of \$8,163. This deficit will be eliminated upon transfer of funds.

City of West Burlington
Notes to Financial Statements

Note 12. Self-Insured Health Benefits

The City of West Burlington has agreed with its employees to provide certain health benefits. The City pays 100% of the premium for health insurance of the non-union employees, and pays 100% of the premium for single coverage for union employees. The union employee pays 20% of the difference between the single and the family policy. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$300 per single and \$600 per family. The City's cost of this reimbursement for the years ended June 30, 2006 and 2005 was approximately \$71,100 and \$77,300, respectively.

Note 13. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to:	
General fund	\$ 777,559
Equipment replacement	52,500
Water revenue	3,398
Sewer revenue	11,608
Debt service	<u>534,979</u>
	<u>\$ 1,380,044</u>
Transfer from:	
Water revenue	\$ 10,000
Sewer revenue	10,000
General fund	32,500
Medical insurance reserve	17,324
Equipment replacement	100,000
Local option	369,201
Tax increment financing	<u>841,019</u>
	<u>\$ 1,380,044</u>

Note 14. Contract with the Burlington Municipal Waterworks

On August 16, 1995, the City of West Burlington entered into an agreement with the Burlington Municipal Waterworks. The contract provides for the sale of water to the City of West Burlington in a range from 290,000 gallons per day to 1,000,000 gallons per day, averaged over each monthly billing cycle. The charge for this water will be at a rate of one and one-half times the standard metered rate of industrial users for the first 1,000,000 gallons per day. The contract provides an initial term of twenty years, with four additional terms of five years each, unless cancelled by either party after the initial term expires. Water usage began on January 1, 1996 and expenses of \$247,247 were recorded in the year ended June 30, 2006 from this contract.

**City of West Burlington
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2006**

	Governmental Funds Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 934,197	\$ -	\$ -	\$ 934,197	\$ 893,456	\$ 893,456	\$ 40,741
Tax increment financing collections	1,899,816	-	-	1,899,816	1,773,822	1,773,822	125,994
Other city taxes	385,512	-	-	385,512	451,412	451,412	(65,900)
Use of money and property	86,271	140	-	86,411	44,800	44,800	41,611
Licenses and permits	51,125	-	-	51,125	82,537	82,537	(31,412)
Intergovernmental	454,128	-	-	454,128	1,407,122	1,505,872	(1,051,744)
Charges for service	146,190	1,194,474	-	1,340,664	1,264,808	1,264,808	75,856
Special assessments	-	826	-	826	-	-	826
Miscellaneous	410,076	20,513	90,818	339,771	198,907	234,197	105,574
Total receipts	<u>4,367,315</u>	<u>1,215,953</u>	<u>90,818</u>	<u>5,492,450</u>	<u>6,116,864</u>	<u>6,250,904</u>	<u>(758,454)</u>
Disbursements:							
Public safety	1,370,520	-	-	1,370,520	1,267,667	1,406,773	36,253
Public works	451,451	-	-	451,451	458,831	488,156	36,705
Culture and recreation	101,012	-	-	101,012	76,995	104,745	3,733
Community and economic development	16,837	-	-	16,837	3,319	17,319	482
General government	299,438	5,190	77,295	227,333	346,019	392,764	165,431
Debt service	1,118,576	-	-	1,118,576	1,141,883	1,141,883	23,307
Capital projects	930,076	-	-	930,076	908,274	1,401,904	471,828
Business type activities	-	1,127,472	-	1,127,472	2,477,995	2,477,995	1,350,523
Total disbursements	<u>4,287,910</u>	<u>1,132,662</u>	<u>77,295</u>	<u>5,343,277</u>	<u>6,680,983</u>	<u>7,431,539</u>	<u>2,088,262</u>
Excess (deficiency) of receipts over disbursements	79,405	83,291	13,523	149,173	(564,119)	(1,180,635)	
Other financing sources	<u>124,881</u>	<u>12,115</u>	<u>-</u>	<u>136,996</u>	<u>172,111</u>	<u>172,111</u>	
Net change in cash balances	204,286	95,406	13,523	286,169	(392,008)	(1,008,524)	
Balances beginning of year	<u>1,799,175</u>	<u>1,131,605</u>	<u>28,238</u>	<u>2,902,542</u>	<u>2,475,809</u>	<u>2,475,809</u>	
Balances end of year	<u>\$ 2,003,461</u>	<u>\$ 1,227,011</u>	<u>\$ 41,761</u>	<u>\$ 3,188,711</u>	<u>\$ 2,083,801</u>	<u>\$ 1,467,285</u>	

See accompanying independent auditor's report.

City of West Burlington
Notes to Required Supplementary Information - Budgetary Reporting

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds (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 \$750,556. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	<u>Meter Deposits</u>	<u>Fourth of July Celebration</u>	<u>Medical Insurance</u>	<u>SE Iowa Safety and Support</u>	<u>Other Programs</u>	<u>Total</u>
Receipts:						
CTAA	\$ -	\$ -	\$ -	\$ -	\$ 43,501	\$ 43,501
Miscellaneous	<u>1,030</u>	<u>14,054</u>	<u>-</u>	<u>32,233</u>	<u>-</u>	<u>47,317</u>
Total receipts	<u>1,030</u>	<u>14,054</u>	<u>-</u>	<u>32,233</u>	<u>43,501</u>	<u>90,818</u>
Disbursements:						
<u>Public Safety:</u>						
Culture & Recreation:						
Contractual services	<u>-</u>	<u>18,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,487</u>
<u>General Government:</u>						
Contractual services	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,794</u>	<u>43,501</u>	<u>77,295</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,794</u>	<u>43,501</u>	<u>77,295</u>
Total disbursements	<u>-</u>	<u>18,487</u>	<u>-</u>	<u>33,794</u>	<u>43,501</u>	<u>95,782</u>
Excess (deficiency) of receipts over disbursements	1,030	(4,433)	-	(1,561)	-	(4,964)
Other financing sources (uses):						
Operating transfers in	-	587	-	-	2,893	3,480
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(17,324)</u>	<u>1,087</u>	<u>-</u>	<u>(18,411)</u>
	<u>-</u>	<u>587</u>	<u>(17,324)</u>	<u>(1,087)</u>	<u>2,893</u>	<u>(14,931)</u>
Net change in cash balances	1,030	(3,846)	(17,324)	(2,648)	2,893	(19,895)
Cash balances, beginning of year	<u>45,741</u>	<u>12,708</u>	<u>60,306</u>	<u>22,531</u>	<u>16,901</u>	<u>158,187</u>
Cash balances, end of year	<u>\$ 46,771</u>	<u>\$ 8,862</u>	<u>\$ 42,982</u>	<u>\$ 19,883</u>	<u>\$ 19,794</u>	<u>\$ 138,292</u>
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	<u>\$ 46,771</u>	<u>\$ 8,862</u>	<u>\$ 42,982</u>	<u>\$ 19,883</u>	<u>\$ 19,794</u>	<u>\$ 138,292</u>
Total cash fund balances	<u>\$ 46,771</u>	<u>\$ 8,862</u>	<u>\$ 42,982</u>	<u>\$ 19,883</u>	<u>\$ 19,794</u>	<u>\$ 138,292</u>

See accompanying independent auditor's report.

**City of West Burlington
Statement of Indebtedness
Year Ended June 30, 2006**

<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>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Street improvement notes	06/10/96	4.70-5.60%	\$ 740,000	\$ 545,000	\$ -	\$ 30,000	\$ 515,000	\$ 33,480	\$ -
Street improvement and refunding notes	03/01/03	1.35-3.20%	3,630,000	<u>2,530,000</u>	<u>-</u>	<u>570,000</u>	<u>1,960,000</u>	<u>65,442</u>	<u>-</u>
Total				<u>\$ 3,075,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ 2,475,000</u>	<u>\$ 98,922</u>	<u>\$ -</u>
Capital loan notes:									
Fire truck purchase	08/08/05	3.50%	\$ 136,996	<u>\$ -</u>	<u>136,996</u>	<u>-</u>	<u>\$ 136,996</u>	<u>\$ -</u>	<u>-</u>
Urban renewal TIF revenue bonds:									
Series 2003-A COBO	08/01/03	3.25-6.00%	\$ 320,000	\$ 320,000	\$ -	\$ 25,000	\$ 295,000	\$ 16,127	\$ -
Series 2003 City Hall	05/28/04	2.80%	1,000,000	<u>800,000</u>	<u>-</u>	<u>200,000</u>	<u>600,000</u>	<u>22,400</u>	<u>-</u>
Total				<u>\$ 1,120,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 895,000</u>	<u>\$ 38,527</u>	<u>\$ -</u>
Development agreements	Various	5.70%	\$ 2,161,000	<u>\$ 2,086,924</u>	<u>\$ -</u>	<u>\$ 74,521</u>	<u>\$ 2,012,403</u>	<u>\$ 80,705</u>	<u>\$ 2,126</u>

Development Agreement:

The City has entered into an agreement with a developer providing reimbursements from the City to the developer based upon a 20 year agreement. The developer has installed streets, sewers, curbing, and other utilities at a cost of \$1.2 million. The City will reimburse the developer using an assumed amortization of 20 years at a rate of 5.7%. The City's payment will not exceed the increase in property taxes on the valuation of the land. At the end of the 20 year period the agreement will cease, and the City would not continue payments irregardless of any principal due at that time. The City's interest cost for the year ended June 30, 2006 was \$63,100 with \$74,521 applied to the principal.

The City has entered into two other similar agreements with a combined cost of approximately \$961,000. The City's interest cost for the year ended June 30, 2006 was \$17,605 with no principal applied. The terms for these agreements are 10-20 years using interest rate assumptions of 5.7% to 6.75%. These agreements are expected to begin principal reimbursements in the next fiscal year.

See accompanying independent auditor's report.

**City of West Burlington
Bond and Note Maturities
June 30, 2006**

General Obligation Bonds:

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	Street Improvement Notes March 1, 2003 <u>Amount</u>	Interest <u>Rate</u>	Street Improvement Notes June 10, 1996 <u>Amount</u>	<u>Total</u>
2007	2.25%	\$ 375,000	6.10%	\$ 250,000	\$ 625,000
2008	2.55%	380,000	6.20%	265,000	645,000
2009	2.80%	390,000		-	390,000
2010	3.00%	400,000		-	400,000
2011	3.20%	<u>415,000</u>		<u>-</u>	<u>415,000</u>
		<u>\$ 1,960,000</u>		<u>\$ 515,000</u>	<u>\$ 2,475,000</u>

Urban Renewal Tax Increment Financing (TIF) Revenue Bonds:

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	COBO 2003-A <u>Amount</u>	Interest <u>Rate</u>	City Hall 2003 <u>Amount</u>	<u>Total</u>
2007	3.75%	\$ 25,000	2.80%	\$ 200,000	\$ 225,000
2008	4.25%	25,000	2.80%	200,000	225,000
2009	4.50%	25,000	2.80%	200,000	225,000
2010	4.85%	25,000		-	25,000
2011	5.10%	30,000		-	30,000
2012	5.35%	30,000		-	30,000
2013	5.55%	30,000		-	30,000
2014	5.75%	35,000		-	35,000
2015	5.90%	35,000		-	35,000
2016	6.00%	<u>35,000</u>		<u>-</u>	<u>35,000</u>
		<u>\$ 295,000</u>		<u>\$ 600,000</u>	<u>\$ 895,000</u>

Capital Loan Notes:

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	<u>Fire Truck</u>
2007	3.50%	\$ 44,105
2008	3.50%	45,649
2009	3.50%	<u>47,242</u>
		<u>\$ 136,996</u>

See accompanying independent auditor's report.

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

	Year Ended June 30,			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:				
Property tax	\$ 934,197	\$ 936,733	\$ 978,252	\$ 1,060,387
Tax increment financing collections	1,899,816	1,771,802	1,399,350	1,334,487
Other city taxes	385,512	391,763	426,373	370,031
Use of money and property	86,271	59,911	68,661	47,845
Licenses and permits	51,125	90,160	55,398	31,870
Intergovernmental	454,128	716,922	372,533	454,443
Charges for services	146,190	104,357	94,223	92,562
Miscellaneous	<u>410,076</u>	<u>437,425</u>	<u>305,762</u>	<u>101,145</u>
Total	<u>\$ 4,367,315</u>	<u>\$ 4,509,073</u>	<u>\$ 3,700,552</u>	<u>\$ 3,492,770</u>
Disbursements:				
Operating:				
Public safety	\$ 1,370,520	\$ 1,046,473	\$ 1,014,372	\$ 950,496
Public works	451,451	455,956	507,960	440,143
Culture and recreation	101,012	80,579	73,754	80,127
Community and economic development	16,837	2,607	287,374	63,681
General government	299,438	227,568	246,845	174,589
Debt service	1,118,576	1,445,846	1,130,716	1,502,503
Capital projects	<u>930,076</u>	<u>1,995,007</u>	<u>3,311,529</u>	<u>1,378,528</u>
Total	<u>\$ 4,287,910</u>	<u>\$ 5,254,036</u>	<u>\$ 6,572,550</u>	<u>\$ 4,590,067</u>

See accompanying independent auditor's report.

City of West Burlington
Schedule of Selected Employee Related Expenses

	Year Ended June 30,			
	2006	2005	2004	2003
Disbursements:				
Gross salaries	\$ 1,158,300	\$ 1,081,500	\$ 1,087,640	\$ 1,042,363
FICA expense	87,400	81,500	82,298	78,724
IPERS & ICMA expense	<u>83,700</u>	<u>76,100</u>	<u>74,271</u>	<u>69,886</u>
Total	<u>\$ 1,329,400</u>	<u>\$ 1,239,100</u>	<u>\$ 1,244,209</u>	<u>\$ 1,190,973</u>

See accompanying independent auditor's report.



214 North Fourth Street PO Box 547 Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 18, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Burlington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item I-A-06.

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 the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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.

We noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

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

CPA Associates PC

August 18, 2006

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2006**

Part I: Findings Related to the Financial Statements

REPORTABLE CONDITIONS

I-A-06 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-06 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, 2006.

II-B-06 Certified Budget - Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted in any program. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

II-C-06 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-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-06 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provisions.

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2006**

Part II: Other Findings Related to Statutory Reporting (continued)

II-F-06 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-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-06 Bonds and Revenue Notes - The City has no revenue notes at June 30, 2006.

II-I-06 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-06 Financial Condition - At June 30, 2006, the Special Revenue Funds, Sales Tax account, had a deficit balance of \$17,141 and the Debt Service Fund had a deficit balance of \$8,163.

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

Response - We will consider this.

Conclusion - Response accepted.

II-K-06 Fire Department Activities - The City of West Burlington Volunteer Fire Department maintains a checking account for donations, grants and fund raising activities. This account is separate from the City's accounts allowing transactions to go unrecorded. Accordingly, certain grants, donations and expenditures from this account are not being appropriately included on the City's financial statements. The expenditures may not meet the requirements of public purpose and may not be appropriately included within the budget as required by the Code of Iowa.

Recommendation - The City and the Volunteer Fire Department should ensure that procedures are in place to document all receipts and expenditures in accordance with the Code of Iowa.

Response - We will meet with the Volunteer Fire Department and establish appropriate procedures.

Conclusion - Response accepted.

FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION