

CITY OF OAKLAND

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2006

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CITY OF OAKLAND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Gayle Perkins	Mayor	December 2005
Tim White	Mayor Pro-Tem	December 2007
Cindy Freemeyer	Council Member	December 2005
Pat Newberg	Council Member	December 2005
Debbie Rollins	Council Member	December 2007
Jonathon Showalter	Council Member	December 2005
Sabrina Johnson	City Clerk	Indefinite
Richard Merkle	City Treasurer	Appointed yearly
Richard Henninger	City Attorney	Indefinite
(After January 2006)		
Gayle Perkins	Mayor	December 2009
Tim White	Mayor Pro-Tem	December 2007
Terry Gleaves	Council Member	December 2009
Pat Newberg	Council Member	December 2009
Betsy Moniz	Council Member	December 2009
Debbie Rollins	Council Member	December 2007
Sabrina Johnson	City Clerk	Indefinite
Richard Merkle	City Treasurer	Appointed yearly
Richard Henninger	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 17, 2006

Lonnie G. Muxfeldt
Certified Public
Accountant

Independent Auditor's Report

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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, 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 Oakland's management. My responsibility is to express opinions on these financial statements based on my audit. The financial statements of the City of Oakland, Iowa for the year ended June 30, 2005 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated September 22, 2005.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

Continued . . .

August 17, 2006

Page Two

To the Honorable Mayor and
Members of the City Council:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland at 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*, I have also issued my reports dated August 17, 2006 on my consideration of the City of Oakland's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9, and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. Other supplementary information, included in Schedules 1 through 4, 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 the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

M. Lupat Associates, CPA, P.C.

CITY OF OAKLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

As management of the City of Oakland, Iowa we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) a cash basis government-wide financial statement, 2) cash basis fund financial statements, and 3) notes to the financial statements.

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

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental fund 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, Local Option Tax, and Urban Renewal Tax Increment, 3) Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and sanitation funds, considered to be major funds of the City.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Analysis of significant changes in financial position and fund balances: The cash basis of the net assets of the City's governmental activities increased 0.7% from a year ago, increasing from \$961,985 to \$968,540 for a net change of \$6,555 during the fiscal year ended June 30, 2006. Prior year net assets, receipts and disbursements have been restated to reflect that the Oakland Volunteer Firemen's Association and the Oakland Ambulance Service funds are no longer presented as city funds in the City's financial statements

The following is the changes in the cash basis of the net assets of the City's governmental activities:

	Changes in Net Assets of Governmental Activities	
	Year ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for services	\$ 78,746	\$ 32,761
Operating grants, contributions and restricted interest	210,043	155,508
Capital grants, contributions and restricted interest	94,636	131,050
General receipts:		
Property tax	309,135	307,702
Local option sales tax	178,253	144,494
Unrestricted investment earnings	39,344	26,437
Loan proceeds	-0-	67,000
Miscellaneous	6,134	28,769
Total receipts	916,291	893,721
Disbursements:		
Public safety	83,211	67,043
Public works	238,518	142,948
Health and social services	236,698	141,399
Culture and recreation	62,007	18,943
Community and economic development	111,683	107,620
General government	118,085	117,296
Debt service	55,853	128,233
Transfers	3,681	-0-
Total disbursements	909,736	723,482
Increase (decrease) in cash	6,555	170,239
Net assets, beginning of year	961,985	791,746
Net assets, end of year	\$ 968,540	\$ 961,985

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cash basis of the net assets of the City's business type activities increased \$118,073 during the fiscal year ended June 30, 2006. This increase is comparable to the prior year increase to cash basis net assets. Over 50 % of the net assets of the business type activities were accumulated in the past two years.

The following is the changes in the cash basis of the net assets of the City's business type activities:

Changes in Net Assets of Business Type Activities		Year ended June 30,	
	2006	2005	
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 495,527	\$ 505,971	
Sewer	47,310	44,966	
Sanitation	126,891	123,492	
General receipts:			
Rental income	10,200	10,200	
Meter deposits	4,000	3,650	
Transfers	3,681	-0-	
Total receipts	<u>687,609</u>	<u>688,279</u>	
Disbursements:			
Water	379,508	422,323	
Sewer	69,326	33,085	
Sanitation	120,702	116,246	
Total disbursements	<u>569,536</u>	<u>571,654</u>	
Increase (decrease) in cash	118,073	116,625	
Net assets, beginning of year	<u>331,861</u>	<u>215,236</u>	
Net assets, end of year	<u>\$ 449,934</u>	<u>\$ 331,861</u>	

Analysis between actual and budget amounts: The City amended its budget on May 8, 2006. The amended budget increased revenue by \$10,000 and increased disbursements by approximately \$484,000, the majority of which increased culture and recreation and debt service disbursements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Administration: At June 30, 2006, the City had \$532,985 in notes and other long-term debt compared to \$691,999 last year, as shown below.

Outstanding Debt at Year-End			
	2006		2005
General obligation notes	\$ 252,772	\$	367,749
Revenue bonds	280,213	\$	324,250
Total	\$ 532,985	\$	691,999

Scheduled principal payments for the year ended June 30, 2006 were \$84,163. An additional \$74,851 principal was paid on the City's outstanding debt for total principal reduction of \$159,014. In the years to come, this should reduce interest disbursements and free resources to be used by the City in areas other than debt reduction.

Future financial statement impact: The Schueman Park project is estimated to cost the City \$1,073,000 during the fiscal year 2007. An Iowa West Foundation grant will provide approximately \$326,500 or 30 %. The water, tax increment financing and road use tax funds will provide the remaining \$746,500 or 70%. The project is estimated to be complete by June 30, 2007.

Requests for information: Requests for additional information can be made to the Oakland City Clerk, Sabrina Johnson, at 101 North Main Street, PO Box 396, Oakland, Iowa 51560.

BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 83,211	\$ 37,255	\$ 36,741	\$ -0-
Public works	238,518	1,219	124,500	-0-
Cultures and recreation	236,698	31,143	31,392	91,636
Community and economic development	62,007	-0-	-0-	-0-
General government	111,683	9,129	17,410	-0-
Debt service	118,085	-0-	-0-	-0-
Capital projects	55,853	-0-	-0-	3,000
Total governmental activities	906,055	78,746	210,043	94,636
Business type activities:				
Water	379,508	509,727	-0-	-0-
Sewer	69,326	47,310	-0-	-0-
Sanitation	120,702	126,891	-0-	-0-
Total business type activities	569,536	683,928	-0-	-0-
Total	\$ 1,475,591	\$ 762,764	\$ 210,043	\$ 94,636
General receipts:				
Property taxes levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Total general receipts				
Change in cash balance				
Net assets, beginning of year				
Net assets, end of year				
Assets				
Cash				
Net Assets				
Restricted:				
Streets				
Urban renewal				
Debt service				
Library				
Water resrves				
Unrestricted				
Total net assets				

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets			
	Governmental Activities	Business Type Activities	Total
Functions / Programs:			
Governmental activities:			
Public safety	\$ (9,215)	\$ -0-	\$ (9,215)
Public works	(112,799)	-0-	(112,799)
Cultures and recreation	(82,527)	-0-	(82,527)
Community and economic development	(62,007)	-0-	(62,007)
General government	(85,144)	-0-	(85,144)
Debt service	(118,085)	-0-	(118,085)
Capital projects	(52,853)	-0-	(52,853)
Total governmental activities	(522,630)	-0-	(522,630)
Business type activities:			
Water	-0-	130,219	130,219
Sewer	-0-	(22,016)	(22,016)
Sanitation	-0-	6,189	6,189
Total business type activities	-0-	114,392	114,392
Total	(522,630)	114,392	(408,238)
	165,517	-0-	165,517
	143,618	-0-	143,618
	178,253	-0-	178,253
	39,344	-0-	39,344
	6,134	-0-	6,134
	(3,681)	3,681	-0-
	529,185	3,681	532,866
	6,555	118,073	124,628
	961,985	331,861	1,293,846
	\$ 968,540	\$ 449,934	\$ 1,418,474
	\$ 968,540	\$ 449,934	\$ 1,418,474
	\$ 282,199	\$ -0-	\$ 282,199
	265,066	-0-	265,066
	-0-	-0-	-0-
	245,455	-0-	245,455
	-0-	44,656	44,656
	175,820	405,278	581,098
	\$ 968,540	\$ 449,934	\$ 1,418,474

CITY OF OAKLAND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	General	Special Revenue	
		Road Use Tax	Local Option Tax
Receipts:			
Property tax	\$ 165,517	\$ -0-	\$ -0-
Tax increment financing	-0-	-0-	-0-
Other city tax	-0-	-0-	178,253
Licenses and permits	6,808	-0-	-0-
Use of money and property	56,214	-0-	-0-
Intergovernmental	37,854	124,500	-0-
Charges for services	53,849	-0-	-0-
Miscellaneous	145,459	1,219	-0-
Total receipts	<u>465,701</u>	<u>125,719</u>	<u>178,253</u>
Disbursements:			
Operating:			
Public safety	83,211	-0-	-0-
Public works	-0-	238,518	-0-
Culture and recreation	236,698	-0-	-0-
Community and economic development	-0-	-0-	-0-
General government	111,683	-0-	-0-
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	<u>431,592</u>	<u>238,518</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	34,109	(112,799)	178,253
Other financing sources (uses):			
Operating transfers in	92,128	89,126	-0-
Operating transfers out	(118,147)	-0-	(178,253)
Total other financing sources (uses)	<u>(26,019)</u>	<u>89,126</u>	<u>(178,253)</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) other financing sources (uses)	8,090	(23,673)	-0-
Cash basis fund balance, beginning of year	<u>413,185</u>	<u>305,872</u>	<u>-0-</u>
Cash basis fund balance, end of year	\$ <u>421,275</u>	\$ <u>282,199</u>	\$ <u>-0-</u>
Cash Basis Assets			
Cash	\$ <u>421,275</u>	\$ <u>282,199</u>	\$ <u>-0-</u>
Cash Basis Fund Balances			
Reserved:			
Debt Service	\$ -0-	\$ -0-	\$ -0-
Unreserved:			
General fund	175,820	-0-	-0-
Library	245,455	-0-	-0-
Special revenue funds	-0-	282,199	-0-
Capital projects	-0-	-0-	-0-
Total fund balance	\$ <u>421,275</u>	\$ <u>282,199</u>	\$ <u>-0-</u>

See notes to financial statements.

EXHIBIT B

	Urban Renewal Tax Increment	Debt Service	Other Non-major Governmental Funds	Total
\$	-0-	\$ -0-	\$ -0-	\$ 165,517
	143,618	-0-	-0-	143,618
	-0-	-0-	-0-	178,253
	-0-	-0-	-0-	6,808
	-0-	-0-	3,000	56,214
	-0-	-0-	-0-	165,354
	-0-	-0-	-0-	53,849
	-0-	-0-	-0-	146,678
	<u>143,618</u>	<u>-0-</u>	<u>3,000</u>	<u>916,291</u>
	-0-	-0-	-0-	83,211
	-0-	-0-	-0-	238,518
	-0-	-0-	-0-	236,698
	62,007	-0-	-0-	62,007
	-0-	-0-	-0-	111,683
	-0-	118,085	-0-	118,085
	-0-	-0-	55,853	55,853
	<u>62,007</u>	<u>118,085</u>	<u>55,853</u>	<u>906,055</u>
	81,611	(118,085)	(52,853)	10,236
	-0-	118,085	55,853	355,192
	<u>(59,473)</u>	<u>-0-</u>	<u>(3,000)</u>	<u>(358,873)</u>
	<u>(59,473)</u>	<u>118,085</u>	<u>52,853</u>	<u>(3,681)</u>
	22,138	-0-	-0-	6,555
	<u>242,928</u>	<u>-0-</u>	<u>-0-</u>	<u>961,985</u>
\$	<u>265,066</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 968,540</u>
\$	<u>265,066</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 968,540</u>
\$	-0-	\$ -0-	-0-	\$ -0-
	-0-	-0-	-0-	175,820
	-0-	-0-	-0-	245,455
	265,066	-0-	-0-	547,265
	-0-	-0-	-0-	-0-
\$	<u>265,066</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 968,540</u>

CITY OF OAKLAND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Water	Sewer
Operating receipts:		
Charges for services	\$ 483,925	\$ 47,310
Reconnections and new meters	10,853	-0-
Miscellaneous	749	-0-
Total receipts	<u>495,527</u>	<u>47,310</u>
Operating disbursements:		
Business type activities	<u>317,813</u>	<u>69,326</u>
Total disbursements	<u>317,813</u>	<u>69,326</u>
Operating income	177,714	(22,016)
Non-operating receipts (disbursements):		
Farm rent	10,200	-0-
Meter deposits	4,000	-0-
Meter deposit refunds	(1,445)	-0-
Debt service	<u>(60,250)</u>	<u>-0-</u>
Total non-operating receipts (disbursements)	<u>(47,495)</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	130,219	(22,016)
Other financing sources (uses):		
Operating transfer in	<u>-0-</u>	<u>3,681</u>
Net financing sources (uses)	<u>-0-</u>	<u>3,681</u>
Excess (deficiency) of receipts over (under) Disbursements and other financing sources (uses)	130,219	(18,335)
Cash basis fund balances, beginning of year	<u>301,545</u>	<u>18,335</u>
Cash basis fund balances, end of year	\$ <u>431,764</u>	\$ <u>-0-</u>
Cash Basis Assets		
Cash	\$ <u>431,764</u>	\$ <u>-0-</u>
Cash Basis Fund Balances		
Reserved:		
Meter deposits	\$ 47,858	\$ -0-
Sinking funds	41,640	-0-
Unreserved	342,266	-0-
Total fund balance	\$ <u>431,764</u>	\$ <u>-0-</u>

See notes to financial statements.

<hr/>		<hr/>	
	Sanitation		Total
<hr/>		<hr/>	
\$	126,891	\$	658,126
	-0-		10,853
	-0-		749
	<u>126,891</u>		<u>669,728</u>
	 120,702		 507,841
	<u>120,702</u>		<u>507,841</u>
	 6,189		 161,887
	 -0-		 10,200
	-0-		4,000
	-0-		(1,445)
	-0-		<u>(60,250)</u>
	<u>-0-</u>		<u>(47,495)</u>
	 6,189		 114,392
	 -0-		 3,681
	<u>-0-</u>		<u>3,681</u>
	 6,189		 118,073
	 11,981		 331,861
	<u>11,981</u>		<u>331,861</u>
\$	<u>18,170</u>	\$	<u>449,934</u>
\$	<u>18,170</u>	\$	<u>449,934</u>
\$	-0-	\$	47,858
	-0-		41,640
	18,170		360,436
\$	<u>18,170</u>	\$	<u>449,934</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oakland is a political subdivision of the state of Iowa and located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oakland has included all funds, organizations, account groups, 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 financial burdens on the City.

Blended Component Unit

The Eckels Memorial Library is legally separate from the City but financially accountable to the City. The library is governed by a board approved by the City Council and its operating budget is subject to approval by the City Council. The library is presented as a blended component unit of the City. From 1999 through 2005, the library was presented as a discretely presented component unit.

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 associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Association of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute and Chamber of Commerce.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary 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 from services.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, which the difference reported as 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 whose purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions 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 non-major 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.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation (Cont'd)

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for a variety of projects financed by the local option sales tax.

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

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

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 Sanitation Fund accounts for the operation and maintenance of the City's sanitation service.

The City also reports the following additional non-major funds:

Capital Projects Funds:

The Chautauqua Park II Grant Funds are utilized to account for resources used in the phases of construction of park facilities.

The Schueman Park Fund is utilized to account for the development of Schueman Park into a residential subdivision of the City.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works function.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2006, were covered entirely 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions in the City's name and its component unit for a total of \$1,418,474 as of June 30, 2006.

**CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 3 NOTES PAYABLE

Annual debt service requirements to maturity for the City's general obligation notes, urban renewal tax increment financing revenue notes, and water revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing Notes	
	Principal	Interest	Principal	Interest
	2007	\$ 10,460	\$ 1,782	\$ 45,000
2008	7,973	850	45,000	9,868
2009	4,339	126	55,000	7,248
2010	-0-	-0-	55,000	4,343
2011	-0-	-0-	15,000	1,383
2012	-0-	-0-	15,000	848
2013	-0-	-0-	-0-	-0-
2014	-0-	-0-	-0-	-0-
2015	-0-	-0-	-0-	-0-
2016	-0-	-0-	-0-	-0-
Total	\$ 22,772	\$ 2,758	\$ 230,000	\$ 35,883

Year Ending June 30,	Water Revenue Notes		Total	
	Principal	Interest	Principal	Interest
	2007	\$ -0-	\$ 14,011	\$ 55,460
2008	-0-	14,011	52,973	24,729
2009	25,213	13,380	84,552	20,754
2010	30,000	12,000	85,000	16,343
2011	35,000	10,375	50,000	11,758
2012	35,000	8,625	50,000	9,473
2013	35,000	6,875	35,000	6,875
2014	40,000	5,000	40,000	5,000
2015	40,000	3,000	40,000	3,000
2016	40,000	1,000	40,000	1,000
Total	\$ 280,213	\$ 88,277	\$ 532,985	\$ 126,918

Urban Renewal Tax Increment Financing Notes

The urban renewal tax increment financing general obligation notes were issued for the purpose of defraying a portion of the cost of developing an urban renewal project of the City. The notes are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing general obligation notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 NOTES PAYABLE (Continued)

Revenue Debt Resolutions

The resolutions providing of the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the water funds.
- b) Sufficient monthly transfers shall be made to a water note sinking account for the purpose of making the note principal and interest payments when due.
- c) Additional monthly transfers to a water reserve account shall be made until a minimum balance of \$41,640 has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions, or repairs to the water system.

NOTE 4 PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute a 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$11,044, \$10,458 and \$10,036, respectively, equal to the required contributions for each year.

**CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 5 COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid a maximum of \$2,000 of accumulated sick leave. The City's approximate liability for earned vacations payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2006
Vacation	\$ <u>14,894</u>

This liability has been computed on the rates of pay as of June 30, 2006.

NOTE 6 PROPERTY TAXES

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City monthly.

NOTE 7 INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
General	Capital Projects - Chautauqua Park	\$ 3,000
General	Special Revenue - Local Option Tax	89,128
Special Revenue - Road Use	Special Revenue - Local Option Tax	89,126
Debt Service	General	58,612
Debt Service	Special Revenue - Urban Renewal TIF	59,473
Capital Projects - Schueman Park	General	55,853
Proprietary - Sewer	General	3,681
Total		\$ <u>358,873</u>

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

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 RELATED PARTY TRANSACTIONS

The City had no business transactions between the City and City officials during the year ended June 30, 2006.

NOTE 9 RISK MANAGEMENT

The City of Oakland is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$40,550.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9 RISK MANAGEMENT (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workmens' compensation insurance purchased from EMC Insurance Companies. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 URBAN RENEWAL

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal includes the Water Expansion Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Revenue Notes were issued to finance the Street Project. On July 11, 2005, the City approved a program within this urban renewal plan for residential and commercial development in cooperation with the Oakland Industrial Foundation.

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan was to encourage commercial development in this urban renewal area. The project included the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Revenue Notes were issued as a result of this project.

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involved providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 11 LIBRARY CONSTRUCTION AND CONTINGENCY

On April 7, 197, the City entered into a gift agreement for an addition to the Eckles Memorial Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

NOTE 12 GRANTS

Iowa West Foundation Grant – Library

On August 12, 2005, the Library was awarded a 50/50 matching grant for the development of the library's youth collection. The total estimated cost of the project is \$20,000. This grant will expire on September 30, 2006.

NOTE 13 COMMITMENTS

Garbage Collection Service Agreement

The City signed an Agreement on June 28, 2002 with M K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from July 1, 2002 to June 30, 2007. The contracted amount per residential unit for up to six 32-gallon containers per week for the first two years is \$4.75 and \$5.00 for the remaining three years. The contracted amount for commercial, industrial and institutional premises with dumpsters is \$2.50 per yard per week for five years and \$.75 per unit per month for recyclables for five years.

Atlantic Bottling Agreement

On May 26, 2004, the City entered into an agreement with the Atlantic Bottling Company. They agreed that the Atlantic Bottling Company will be the sole provider of soft drinks, new age products, juices and water for the Little League, Soccer, Swimming Pool, and all City owned locations through May of 2011. In return, Atlantic Bottling Company paid for one of the scoreboards valued at \$3,358. Either party may terminate this agreement; however, in that event, the City agrees to pay back Atlantic Bottling Company for the scoreboard for the valued amount.

**CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 13 COMMITMENTS (Continued)

Administrative Services Agreement

On July 1, 2004, the City entered in to an agreement with Select Benefit Administrators, Inc. for the purpose of establishing terms for a third party administrator of the City of Oakland's self-funding benefit plan. The annual administration fee is \$300 and a monthly administrative fee per employee is \$6.50. The fees are subject to change by Select Benefit Administrators on July 1, 2005, and each year thereafter on the same date. There was no change to the fees on July 1, 2006 or July 1, 2007.

MidAmerican Energy Company Ordinance

On December 12, 2004, the city passed an ordinance granting to MidAmerican Energy Company, its successors and assigns, the right and franchise to acquire, construct, erect, maintain and operate n the City of Oakland, a natural gas system and to furnish and sell natural gas to the City and its inhabitant's for a period of twenty-five years.

NOTE 14 SUBSEQUENT EVENTS

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2006. The contract is payable in four installments of \$6,506 on July 1 and October 1, 2006 and January 1 and April 1, 2007.

Park Shelter Grant

On July 15, 2006, the City received a 50/50 matching grant from Iowa West Foundation for the construction of a park shelter. The estimated total cost of the project is \$50,000. The grant will expire on June 30, 2007.

Iowa West Foundation Grant

On August 15, 2006, the City was awarded a 30/70 matching grant for the installation of a new concrete street, curb and gutter (Walnut Street), the widening, lengthening and resurfacing of Grove Street, curb and gutter installation, and the installation of 1,800 feet of sewer and water mains. The grant award amount is \$326,484. The grant expires June 30, 2007.

**CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 14 SUBSEQUENT EVENTS (Continued)

Schueman Park Road Project

In conjunction with the Iowa West Foundation Grant for the installation of Walnut Street and the lengthening of Grove Street, the City's portion of the 30/70 matching grant is estimated at \$746,816. The total estimated cost of the project is \$1,073,300.

NOTE 15 RESTATEMENT OF PRIOR YEAR NET ASSETS

On February 28, 2006, the City of Oakland reached an agreement with the Oakland Volunteer Firemen's Association and the Oakland Ambulance Service that the City would no longer present the Associations' funds as city funds. As a consequence of this agreement, beginning of the year net assets and fund balances were restated as follows:

As of June 30, 2005	As previously Reported	As Restated
Governmental net assets	\$ 961,985	\$ 961,985
Volunteer Ambulance Service	24,444	-0-
Volunteer Firemen's Association	17,248	-0-
Total governmental net assets	\$ <u>1,003,677</u>	\$ <u>961,985</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

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 Funds Actual
Receipts:		
Property tax	\$ 165,517	\$ -0-
Tax increment financing	143,618	-0-
Other city tax	178,253	-0-
Licenses and permits	6,808	-0-
Use of money and permits	56,214	-0-
Intergovernmental	165,354	-0-
Charges for services	53,849	683,928
Miscellaneous	146,678	-0-
Total receipts	<u>916,291</u>	<u>683,928</u>
Disbursements:		
Public safety	83,211	-0-
Public works	238,518	-0-
Health and social services	-0-	-0-
Culture and recreation	236,698	-0-
Community and economic development	62,007	-0-
General government	111,683	-0-
Debt service	118,085	-0-
Capital projects	55,853	-0-
Business type	-0-	569,536
Total disbursements	<u>906,055</u>	<u>569,536</u>
Excess (deficiency) of receipts over (under) disbursements	10,236	114,392
Other financing sources, net	<u>(3,681)</u>	<u>3,681</u>
Excess (deficiency) of receipts and other financing sources	6,555	118,073
Balance beginning of year	<u>961,985</u>	<u>331,861</u>
Balance end of year	<u>\$ 968,540</u>	<u>\$ 449,934</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
\$ 165,517	\$ 157,452	\$ 157,452	\$ 8,065
143,618	149,800	149,800	(6,182)
178,253	176,806	176,806	1,447
6,808	3,700	3,700	3,108
56,214	9,300	9,300	46,914
165,354	185,000	195,000	(29,646)
737,777	684,230	684,230	53,547
146,678	7,300	7,300	139,378
<u>1,600,219</u>	<u>1,373,588</u>	<u>1,383,588</u>	<u>216,631</u>
83,211	66,822	120,000	36,789
238,518	191,927	200,000	(38,518)
-0-	2,700	-0-	-0-
236,698	132,590	260,000	23,302
62,007	70,400	72,000	9,993
111,683	106,579	112,000	317
118,085	28,211	195,000	76,915
55,853	-0-	75,000	19,147
569,536	590,822	640,000	70,464
<u>1,475,591</u>	<u>1,190,051</u>	<u>1,674,000</u>	<u>198,409</u>
124,628	183,537	(290,412)	415,040
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
124,628	183,537	(290,412)	415,040
<u>1,293,846</u>	<u>1,293,846</u>	<u>1,293,846</u>	<u>-0-</u>
\$ <u>1,418,474</u>	\$ <u>1,477,383</u>	\$ <u>1,003,434</u>	\$ <u>415,040</u>

CITY OF OAKLAND

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

JUNE 30, 2006

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 for Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 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 \$483,949. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Capital Projects		Total
	Chautauqua Park Phase II	Schueman Park	
Receipts:			
Intergovernmental	\$ 3,000	\$ -0-	\$ 3,000
Total receipts	<u>3,000</u>	<u>-0-</u>	<u>3,000</u>
Disbursements:			
Operations:			
Capital projects	-0-	55,853	55,853
Total disbursements	<u>-0-</u>	<u>55,853</u>	<u>55,853</u>
Excess (deficiency) of receipts over (under) disbursements	3,000	(55,853)	(52,853)
Other financing sources (uses):			
Operating transfers in	-0-	55,583	55,583
Operating transfers out	<u>(3,000)</u>	<u>-0-</u>	<u>(3,000)</u>
Net financing sources (uses)	<u>(3,000)</u>	<u>55,583</u>	<u>(52,853)</u>
Excess (deficiency) of receipts over (under) disbursements and other financing sources (uses)	-0-	-0-	-0-
Fund balances beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balances end of year	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
Assets			
Cash	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
Fund Balances			
Unreserved:			
Capital projects	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
Total fund balance	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

See Accompanying Independent Auditor's Report

CITY OF OAKLAND
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation capital notes:			
TIF - Street Project	Oct 1, 1999	4.7%	\$ 325,000
Fire Truck Installment	Jan 3, 2000	6.00%	\$ 134,000
TIF- Economic Development	Nov 1, 2000	5.10-5.65%	\$ 90,000
Ambulance Installment	Jul 28, 2004	5.75% var	\$ 67,000
Revenue bonds:			
Water	Nov 17, 1976	5.00	\$ 700,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 185,000	\$ -0-	\$ 35,000	\$ 150,000	\$ 9,538	\$ 949
55,348	-0-	52,123	3,225	2,813	144
90,000	-0-	10,000	80,000	4,935	367
37,401	-0-	17,854	19,547	900	26
<u>\$ 367,749</u>	<u>\$ -0-</u>	<u>\$ 114,977</u>	<u>\$ 252,772</u>	<u>\$ 18,186</u>	<u>\$ 1,486</u>
324,250	-0-	44,038	280,212	16,213	-0-
<u>\$ 324,250</u>	<u>\$ -0-</u>	<u>\$ 44,038</u>	<u>\$ 280,212</u>	<u>\$ 16,213</u>	<u>\$ -0-</u>

CITY OF OAKLAND
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2006

General Obligation Capital Notes

Year Ended June 30,	<u>Fire Truck Note</u> <u>Issued January 3, 2000</u>		<u>Ambulance Note</u> <u>Issued July 28, 2004</u>		Total
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2007	6.00%	\$ 3,225	9.75%	\$ 7,235	\$ 10,460
2008	--	-0-	9.75%	7,973	7,973
2009	--	-0-	9.75%	4,339	4,339
Total		\$ <u>3,225</u>		\$ <u>19,547</u>	\$ <u>22,772</u>

See Accompanying Independent Auditor's Report.

CITY OF OAKLAND
DEBT MATURITIES
YEAR ENDED JUNE 30, 2006

Urban Renewal Tax Increment Financing (TIF) Notes

Year Ended June 30,	<u>Street Project</u> <u>Issued October 1, 1999</u>		<u>Economic Development</u> <u>Issued November 1, 2000</u>		Total
	Interest Rates	Amount	Interest Rates	Amount	
2007	5.00%	\$ 35,000	5.35%	\$ 10,000	\$ 45,000
2008	5.10%	35,000	5.40%	10,000	45,000
2009	5.15%	40,000	5.45%	15,000	55,000
2010	5.20%	40,000	5.50%	15,000	55,000
2011	5.30%	-0-	5.60%	15,000	15,000
2012	--	-0-	5.65%	15,000	15,000
Total		<u>\$ 150,000</u>		<u>\$ 80,000</u>	<u>\$ 230,000</u>

See Accompanying Independent Auditor's Report

CITY OF OAKLAND

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST FOUR YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:				
Property and other city taxes	\$ 165,517	\$ 157,113	\$ 166,357	\$ 163,958
Tax increment financing	143,618	150,589	146,147	132,078
Other city taxes	178,253	147,404	147,628	138,291
License and permits	6,808	4,473	1,905	2,129
Use of money and property	56,214	26,437	21,051	26,816
Intergovernmental	165,354	157,314	230,995	205,900
Charges for service	53,849	90,932	41,365	28,560
Miscellaneous	<u>146,678</u>	<u>222,388</u>	<u>310,187</u>	<u>79,221</u>
 Total	 <u>\$ 916,291</u>	 <u>\$ 956,650</u>	 <u>\$ 1,065,635</u>	 <u>\$ 776,953</u>
Disbursements:				
Operating:				
Public safety	\$ 83,211	\$ 224,351	\$ 93,077	\$ 106,640
Public works	238,518	142,948	143,553	128,123
Culture and recreation	236,698	141,399	167,362	158,924
Community and economic development	62,007	18,943	-0-	70,490
General government	111,683	107,620	106,769	116,275
Debt service	118,085	117,296	87,848	18,211
Capital projects	<u>55,853</u>	<u>128,233</u>	<u>410,356</u>	<u>101,173</u>
 Total	 <u>\$ 906,055</u>	 <u>\$ 880,790</u>	 <u>\$ 1,008,965</u>	 <u>\$ 699,836</u>

See accompanying independent auditor's report.

**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**

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 17, 2006

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 STANDARD

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Iowa
Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, 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 and have issued my report thereon dated August 17, 2006. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with 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 my audit, I considered the City of Oakland's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Oakland'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 II of the accompanying Schedule of Findings and Questioned Costs.

Continued . . .

August 17, 2006
To the Honorable Mayor and
Members of the City Council:
Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in 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, of the reportable conditions described above, I believe item 06-II-A is a material weakness. Prior year reportable conditions have been resolved except for item 05-II-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Oakland and other parties to whom the City of Oakland may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


W. W. W. Associates, CPA, P.C.

CITY OF OAKLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is an other comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

06-II-A Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I 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.

CITY OF OAKLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

06-III-A Certified Budget - Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the public works function. 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. Also, disbursements exceeded amounts budgeted before the budget was amended on May 8, 2006 in the capital projects, debt service, community and economic development, culture and recreation, public works and public safety functions.

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. Actual disbursements should be reviewed on a timely basis.

Response - We will review disbursements periodically and amend the budget accordingly.

Conclusion - Response accepted.

06-III-B Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

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

06-III-D Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, there have been no transactions that appear to represent a conflict of interest.

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

CITY OF OAKLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING (Continued)

06-III-F Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not. It was noted that there was no proof of publication of Council minutes in one instance and no publication of receipts and disbursements for the months of August and October 2005.

Recommendation - The City should maintain complete proof of publications.

Response - We will adopt this recommendation.

Conclusion - Response accepted.

06-III-G Revenue Notes - The City is in compliance with all covenants of their Water Revenue Note resolutions.

06-III-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's deposit and investment policy were noted.

06-III-I Unsubstantiated Disbursements - It was noted that several credit card charges by City employees were not substantiated by supporting documentation.

Recommendation - All employee expenses should be substantiated appropriately.

Response - We will adopt this practice.

Conclusion - Response accepted.