

CITY OF WEST BEND, IOWA

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

YEAR ENDED JUNE 30, 2008

City of West Bend, Iowa

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City of West Bend, Iowa

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City of West Bend, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Robert Klepper	Mayor	12-31-07
Joe Eoriatti	Mayor Pro Tem	12-31-09
Mary Jane Hanselmen	Council Member	12-31-07
Paul Lauck	Council Member	12-31-07
Joe Montag	Council Member	12-31-07
Bruce Helleseeth	Council Member	12-31-09
Lisa Sewell	Clerk	Indefinite
Kim Elbert	Treasurer	Indefinite
Donald Capotosto	Attorney	Indefinite
(After January 2008)		
Robert Klepper	Mayor	12-31-09
Joe Eoriatti	Mayor Pro Tem	12-31-09
Mary Jane Hanselmen	Council Member	12-31-11
Paul Lauck	Council Member	12-31-11
Joe montag	Council Member	12-31-11
Bruce Helleseeth	Council Member	12-31-09
Lisa Sewell	Clerk	Indefinite
Kim Elbert	Treasurer	Indefinite
Donald Capotosto	Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Bend, Iowa, as of and for the year ended June 30, 2008, 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 Bend'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 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Bend at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2008 on our consideration of the City of West Bend's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 53 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Bend'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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

October 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of West Bend's Annual Financial Report presents the Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

- The assets of the City of West Bend exceeded liabilities at June 30, 2007 by \$7,027,057. Of this amount, \$2,880,695 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$555,546 during the year. Of this amount the assets of governmental activities increased \$225,677 and the assets of business activities increased by \$329,869.
- Total debt increased by approximately \$358,000 during the 2006-2007 fiscal year. Of this amount, governmental activities added \$550,000 of new debt and retired \$90,000 of existing debt and business type activities retired \$102,000 of existing debt.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- ***Management's Discussion and Analysis*** - introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- ***Government-wide Financial Statements*** - consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- ***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 that is essential to a full understanding of the data provided in the basic financial statements.
- ***Required Supplementary Information*** - further explains and supports the financial statements by showing budgetary comparisons.
- ***Other Supplementary Information*** - provides detailed information about the non-major governmental funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies.

One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. The statements report the City's net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities are divided into two activities:

- ***Governmental Activities*** – Most of the City's basic services are reported here. They 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*** – This activity includes the Waterworks, the Sanitary Sewer System, the Electric Utility, the Gas Utility and the Solid Waste/Recycling Collection. These activities are financed primarily by user charges.

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 or objectives. The City, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- ***Governmental Funds*** – These funds account for most of the City's basic services. The accounts focus on how money flows into and out of those funds and the balances at year-end that is available for spending. The governmental funds include 1) General Fund; 2) Special Revenue Funds; 3) Debt Service Fund; and 4) Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The financial statements required for governmental funds includes a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- **Proprietary Funds** – The Proprietary Funds account for the City’s Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Enterprise Funds include the Water, Sewer, Electric, Gas and Solid Waste activities which are all considered major funds of the City. The financial statements required for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets and a Statement of Cash Flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The following analysis shows the City’s total net assets at June 30, 2007.

	Governmental Activities	Business Type Activities	2007 Total	2006 Total
Current and Other Assets	\$ 544,165	3,126,031	3,670,196	3,763,904
Capital Assets	1,029,817	5,428,862	6,458,679	5,463,975
Total Assets	1,573,982	8,554,893	10,128,875	9,227,879
Long-term Liabilities	721,279	1,908,537	2,629,816	2,275,701
Other Liabilities	384,966	87,036	472,002	480,667
Total Liabilities	1,106,245	1,995,573	3,101,818	2,756,368
Net Assets:				
Invested in Capital Assets	309,817	3,411,499	3,721,316	3,459,975
Net of Related Debt:				
Restricted	512	424,534	425,046	555,913
Unrestricted	157,408	2,723,287	2,880,695	2,455,623
Net Total Assets	\$ 467,737	6,559,320	7,027,057	6,471,511

\$425,046 of the City of West Bend’s net assets (6.0%) represents resources that are subject to external restrictions of their use. The remaining balance of unrestricted net assets, \$2,880,695 may be used to meet the City’s ongoing obligations to citizens and creditors.

The City of West Bend, as a whole, is able to report a positive balance in their net assets for fiscal year ending June 30, 2007.

Net assets of governmental activities increased from FY07 by approximately \$225,677. Net assets of the business type activities increased from FY07 by approximately \$329,869.

The following analysis provides the changes in the net assets for the City's governmental and business type activities.

	Governmental Activities	Business Type Activities	2007 Total	2006 Total
Program Revenues:				
Charges for Service	\$ 14,427	2,449,730	2,464,157	2,265,199
Operating Grants, Contributions & Restricted Interest	122,639	-	122,639	171,111
Capital Grants, Contributions & Restricted Interest	5,804	-	5,804	67,497
General Revenues:				
Property Tax for General Purposes	194,197	-	194,197	162,224
Property Tax for Debt Service	35,128	-	35,128	146,976
Tax Increment Financing Revenue	158,828	-	158,828	47,679
Local Option Sales Tax	69,847	-	69,847	44,036
Local Hotel Motel Tax	15,325	-	15,325	12,700
Unrestricted Investment Earnings	18,999	96,442	115,441	96,323
Miscellaneous	30,865	-	30,865	22,677
Transfers	53,840	(53,840)	-	-
Total Revenue	719,899	2,492,332	3,212,231	3,036,422
Program Expenses:				
Public Safety	76,577	-	76,577	76,030
Public Works	125,278	-	125,278	44,273
Culture & Recreation	137,053	-	137,053	107,872
Community & Economic Development	83,820	-	83,820	169,720
General Government	38,046	-	38,046	45,955
Debt Service	33,448	-	33,448	32,929
Water	-	125,380	125,380	116,749
Sewer	-	100,992	100,992	109,771
Electric	-	1,039,426	1,039,426	1,105,037
Gas	-	814,633	814,633	761,069
Other Non-major	-	82,032	82,032	83,512
Total Expenses	494,222	2,162,463	2,656,685	2,652,917
Increase in Net Assets	225,677	329,869	555,546	383,505
Net Assets July 1, 2006	242,060	6,229,451	6,471,511	6,088,006
Net Assets June 30, 2007	\$ 467,737	6,559,320	7,027,057	6,471,511

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

At June 30, 2007, the City of West Bend's governmental funds reported a total fund balance of \$549,253. This is more than the \$478,211 total fund balance at June 30, 2006. The following are main reasons for the changes in fund balances of the major governmental funds from the prior year.

- **General Fund** – The General Fund (operating fund for the City of West Bend), ended FY07 with a \$294,289 balance compared to the previous year ending fund balance of \$258,026. This increase is due to street curb & gutter payments and the receipt of casino grants.
- **Road Use Fund** – The Road Use Fund accounts for revenue received from the State of Iowa for street purposes. The Road Use Fund ended FY07 with a \$83,539 balance compared to the previous year ending fund balance of \$56,854. This fund balance increase is due to a decrease in fund expenditures.
- **Tax Increment Financing Fund** – The Tax Increment Financing Fund accounts for proceeds from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal projects. This fund ended FY07 with a \$1,748 balance compared to the previous year ending fund balance of \$817.
- **Debt Service Fund** – The Debt Service Fund ended FY07 with a \$512 balance compared to the previous year ending deficit balance of \$384. There was not any mayor change to this fund balance.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- **Water Fund** – The Water Fund, which accounts for the operation of the City's water system, ended FY07 with a \$780,587 net asset balance compared to the prior year ending net asset balance of \$804,582. This decrease is due to an increase in salt and chemicals use at the Water Plant.
- **Sewer Fund** – The Sewer Fund, which accounts for the operation of the City's wastewater treatment and sanitary sewer system, ended FY07 with a \$957,194 net asset balance compared to the prior year ending net asset balance of \$915,220. This increase is due to the decrease in bonds payable.
- **Electric Fund** – The Electric Fund, which accounts for the operation of the municipal electric utility, ended FY07 with a \$3,177,357 net asset balance compared to the prior year ending net asset balance of \$3,001,263. This increase is due to added revenue being generated through the use of a purchased power adjustment.

This revenue generating mechanism was put in place to compensate for the unstable power costs.

- **Gas Fund** – The Gas Fund, which accounts for the operation of the municipal gas utility, ended FY07 with a \$1,552,898 net asset balance compared to the prior year ending net asset balance of \$1,486,205. This change is due to additional revenue generated from gas sales.

BUDGETARY HIGHLIGHTS

During the fiscal year ending June 30, 2007, the City amended it's budget once. The amendment was approved in April 2007. The amendment provided for additional disbursements due to power and fuel cost increases and unplanned disbursements associated with special projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including land, buildings, and improvements, equipment, streets, storm sewer system, traffic controls and other infrastructure, represents the value of resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$1,029,817 (net of accumulated depreciation) at June 30, 2007. Capital assets for business type activities totaled \$5,428,862 (net of accumulated depreciation) at June 30, 2007.

The major capital outlays for governmental activities during the fiscal year included street improvements, purchase of a snow plow truck and fire equipment and the participation in a joint drainage project with Palo Alto, Kossuth and Humboldt Counties.

For major business activities, major additions included the maintenance of electric plant engines, generators, building and line rehabilitation.

Construction in progress for business activities consists of a share in ownership of the Walter Scott #4 power plant facility that is being built.

Long-Term Debt

At June 30, 2007, the City of West Bend has \$260,000 in long-term debt for the governmental activities. Total long-term debt in the business type activities was \$2,004,000 at June 30, 2007. More detailed information about the City's long-term debt is provided below:

- The City had \$720,000 in general obligation bonds/notes outstanding as of June 30, 2007. The general obligation bonds that were issued paid for water plant and distribution improvements and the participation in a joint drainage district project.

- The City had \$1,902,000 in total revenue bonds/notes outstanding as of June 30, 2007. The revenue bonds were issued to pay for the construction of the sewer lagoon and electric WS#4 projects.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Several economic factors affected decisions made by the City in setting its fiscal 2008 budget. The City of West Bend will experience a decrease a property tax valuation for fiscal year 2008. Elected and appointed officials and department heads considered many factors when setting the FY08 budget, tax rates and fees that will be charged for various City services and activities.

The General Fund is projected to end fiscal year 2008 with a fund balance of approximately \$550,000.

The tax levy rates per \$1,000 of taxable valuation for FY08 are provided below:

FY08 Levy Rates	
General Levy Rate	\$ 8.10000
Insurance	1.63927
Employee Benefits	2.03786
Debt Service	1.67781
Total	\$ 13.45494

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to present citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and operating activities. If you have any questions or require additional information please contact City Clerk, City of West Bend, 301 South Broadway Avenue, PO Box 348, West Bend, Iowa 50597 or call (515) 887-2181.

Basic Financial Statements

Statement of Net Assets

June 30, 2008

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 692,142	2,295,336	2,987,478
Receivables:			
Property tax:			
Delinquent	3,218	-	3,218
Succeeding year	437,256	-	437,256
Customer accounts	-	301,629	301,629
Accrued interest	502	3,094	3,596
Due from other governments	5,260	-	5,260
Due from other funds	(345,225)	345,225	-
Inventories	-	131,965	131,965
Prepaid expenses	13,861	24,378	38,239
Bond issuance costs	-	12,636	12,636
Patronage dividends	-	18,357	18,357
Cost of obtaining gas allocation	-	450	450
Restricted assets:			
Cash	-	349,338	349,338
Capital assets (net of accumulated depreciation)	990,166	5,202,336	6,192,502
Total assets	<u>1,797,180</u>	<u>8,684,744</u>	<u>10,481,924</u>
Liabilities			
Accounts payable	64,498	80,244	144,742
Salaries and benefits payable	4,626	7,290	11,916
Sales tax payable	-	2,557	2,557
Deferred revenue:			
Succeeding year property tax	437,256	-	437,256
Interest payable	2,329	5,600	7,929
Liabilities payable from restricted assets:			
Customer deposits	-	5,473	5,473

(continued)

Statement of Net Assets

June 30, 2008

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Liabilities (continued)			
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	85,000	-	85,000
Revenue bonds/notes payable	-	105,000	105,000
Compensated absences	970	6,460	7,430
Portion due or payable after one year:			
General obligation bonds/notes	555,000	-	555,000
Revenue bonds/notes payable	-	1,694,000	1,694,000
Total liabilities	<u>1,149,679</u>	<u>1,906,624</u>	<u>3,056,303</u>
Net Assets			
Invested in capital assets, net of related debt	350,166	3,303,256	3,653,422
Restricted for:			
Debt service	584	-	584
Revenue bond retirement	-	128,966	128,966
Electric improvements	-	581,498	581,498
Unrestricted	296,751	2,764,400	3,061,151
Total net assets	<u>\$ 647,501</u>	<u>6,778,120</u>	<u>7,425,621</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Activities
Year ended June 30, 2008

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Operating Grants, Contributions and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 77,715	30	102,572
Public works	206,099		71,451
Culture and recreation	133,290	15,677	22,483
Community and economic development	110,650	74	2,994
General government	34,457		
Debt Service	31,761	-	-
Total governmental activities	<u>593,972</u>	<u>15,781</u>	<u>199,500</u>
Business type activities:			
Water	137,022	103,716	-
Sewer	123,554	136,630	-
Electric	1,008,825	1,138,699	-
Gas	897,403	976,808	-
Other nonmajor	112,975	120,424	-
Total business type activities	<u>2,279,779</u>	<u>2,476,277</u>	<u>-</u>
Total	<u>\$ 2,873,751</u>	<u>2,492,058</u>	<u>199,500</u>

General Revenues:

Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Local hotel/motel tax
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues

Change in net assets
Net assets beginning of year
Net assets end of year

See notes to financial statements.

Revenue Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Change in Net Assets		Total
	Governmental Activities	Business Type Activities	
	24,887	-	24,887
	(134,648)	-	(134,648)
	(95,130)	-	(95,130)
	(107,582)	-	(107,582)
	(34,457)	-	(34,457)
	(31,761)	-	(31,761)
<u>-</u>	<u>(378,691)</u>	<u>-</u>	<u>(378,691)</u>
-	-	(33,306)	(33,306)
-	-	13,076	13,076
-	-	129,874	129,874
-	-	79,405	79,405
-	-	7,449	7,449
<u>-</u>	<u>-</u>	<u>196,498</u>	<u>196,498</u>
<u>-</u>	<u>(378,691)</u>	<u>196,498</u>	<u>(182,193)</u>
\$	200,353	-	200,353
	31,054	-	31,054
	154,555	-	154,555
	58,417	-	58,417
	10,311	-	10,311
	21,571	87,472	109,043
	17,024	-	17,024
	65,170	(65,170)	-
	<u>558,455</u>	<u>22,302</u>	<u>580,757</u>
	179,764	218,800	398,564
	<u>467,737</u>	<u>6,559,320</u>	<u>7,027,057</u>
\$	<u>647,501</u>	<u>6,778,120</u>	<u>7,425,621</u>

City of West Bend, Iowa
Balance Sheet
Governmental Funds
June 30, 2008

Exhibit C

	<u>General</u>	<u>Special Revenue TIF</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash	\$ 385,855	156	300,701	686,712
Receivables:				
Property tax:				
Delinquent	1,466	1,151	601	3,218
Succeeding year, including tax increment financing	159,414	215,000	62,842	437,256
Accrued interest	406	-	96	502
Due from other governments	-	-	5,260	5,260
Prepaid insurance	<u>13,861</u>	<u>-</u>	<u>-</u>	<u>13,861</u>
Total assets	<u>\$ 561,002</u>	<u>216,307</u>	<u>369,500</u>	<u>1,146,809</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 63,482	-	1,016	64,498
Salaries and benefits payable	4,626	-	-	4,626
Deferred revenue:				
Succeeding year property tax, including tax increment financing	<u>159,414</u>	<u>215,000</u>	<u>62,842</u>	<u>437,256</u>
Total liabilities	<u>227,522</u>	<u>215,000</u>	<u>63,858</u>	<u>506,380</u>
Fund balances:				
Reserved for:				
Prepaid expenditures	13,861	-	-	13,861
Debt service	-	-	584	584
Unreserved, reported in:				
General fund	319,619	-	-	319,619
Special revenue funds	<u>-</u>	<u>1,307</u>	<u>305,058</u>	<u>306,365</u>
Total fund balances	<u>333,480</u>	<u>1,307</u>	<u>305,642</u>	<u>640,429</u>
Total liabilities and fund balances	<u>\$ 561,002</u>	<u>\$ 216,307</u>	<u>369,500</u>	<u>1,146,809</u>

See notes to financial statements.

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2008

Total governmental fund balances (page 15) \$ 640,429

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 990,166

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 5,430

Long-term liabilities, accrued interest and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

General obligation bonds payable	(640,000)	
Accrued interest payable	(2,329)	
Due to other funds	(345,225)	
Compensated absences	(970)	(988,524)

Net assets of governmental activities (page 12) \$ 647,501

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2008

	<u>General</u>	<u>Special Revenue TIF</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Property tax	\$ 140,385	-	60,295	200,680
Tax increment financing	-	154,555	-	154,555
Other city tax	30,642	-	68,813	99,455
Licenses and permits	2,855	-	-	2,855
Use of money and property	17,214	-	4,357	21,571
Intergovernmental	124,023	-	71,451	195,474
Charges for service	13,658	-	-	13,658
Miscellaneous	20,319	-	-	20,319
Total revenues	<u>349,096</u>	<u>154,555</u>	<u>204,916</u>	<u>708,567</u>
Expenditures:				
Operating:				
Public safety:				
Police	42,785	-	12,617	55,402
Civil defense	3,472	-	-	3,472
Fire	14,232	-	-	14,232
Animal control	610	-	-	610
	<u>61,099</u>	<u>-</u>	<u>12,617</u>	<u>73,716</u>
Public works:				
Roadway maintenance	111,844	-	55,642	167,486
Storm sewer	600	-	-	600
Street lighting	6,682	-	-	6,682
Traffic safety	551	-	-	551
Street cleaning	2,127	-	-	2,127
	<u>121,804</u>	<u>-</u>	<u>55,642</u>	<u>177,446</u>
Culture and recreation:				
Library	56,509	-	12,005	68,514
Parks	9,412	-	42	9,454
Ice skating	7,869	-	360	8,229
Community center	2,869	-	-	2,869
Swimming pool	34,663	-	1,288	35,951
Other	-	-	1,000	1,000
	<u>111,322</u>	<u>-</u>	<u>14,695</u>	<u>126,017</u>

(continued)

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2008

	<u>General</u>	Special Revenue <u>TIF</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Community and economic development:				
Economic development	49,247	103,931	-	153,178
Housing program	3,071	-	-	3,071
Planning and zoning	1,076	-	-	1,076
	<u>53,394</u>	<u>103,931</u>	<u>-</u>	<u>157,325</u>
General government:				
Mayor/council	1,766	-	116	1,882
City clerk/treasurer	3,075	-	-	3,075
Elections	768	-	-	768
Legal	4,974	-	-	4,974
General liability insurance	23,373	-	-	23,373
	<u>33,956</u>	<u>-</u>	<u>116</u>	<u>34,072</u>
Debt service	-	-	112,047	112,047
Total expenditures	<u>381,575</u>	<u>103,931</u>	<u>195,117</u>	<u>680,623</u>
Excess of revenues over expenditures	<u>(32,479)</u>	<u>50,624</u>	<u>9,799</u>	<u>27,944</u>
Other financing sources (uses):				
Operating transfers in	71,670	-	81,065	152,735
Operating transfers out	-	(51,065)	(38,438)	(89,503)
Total other financing sources (uses)	<u>71,670</u>	<u>(51,065)</u>	<u>42,627</u>	<u>63,232</u>
Net change in fund balances	39,191	(441)	52,426	91,176
Fund balances beginning of year	<u>294,289</u>	<u>1,748</u>	<u>253,216</u>	<u>549,253</u>
Fund balances end of year	<u>\$ 333,480</u>	<u>\$ 1,307</u>	<u>\$ 305,642</u>	<u>640,429</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - Total governmental funds (page 18) \$ 91,176

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or construct capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlay and depreciation expense for the year are as follows:

Capital outlay	37,965	
Depreciation expense	<u>(77,616)</u>	(39,651)

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect on these differences in the treatment of long-term debt and related items:

Long-term debt principal repaid	80,000	
Decrease in accrued interest	<u>285</u>	80,285

(continued)

City of West Bend, Iowa

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2008

Decrease in compensated absences expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. 309

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities. 970

Interfund loans proceeds provide current financial resources in governmental funds, but issuing interfund loans increases interfund liabilities in the Statement of Net Assets. Repayment of interfund principal is an expenditure in the governmental funds, but the repayment reduces interfund liabilities in the Statement of Net Assets.
Principal repayments 46,675

Change in net assets of governmental activities (page 14) \$ 179,764

See notes to financial statements.

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Assets				
Cash	\$ 66,819	390,856	696,742	1,107,393
Accounts receivable	14,939	20,939	140,990	108,962
Interest receivable	20	216	1,966	881
Prepaid expenses	1,957	782	18,456	3,183
Inventory	11,905		115,801	4,259
Due from other funds	-	-	-	445,305
Restricted cash	-	-	343,865	-
Cost of obtaining gas allocation	-	-	-	450
Bond issuance costs	-	4,125	8,511	-
Patronage dividends receivable	-	-	18,357	-
Capital assets:				
Land	1,000	-	4,750	-
Buildings and equipment	1,505,115	1,540,613	6,344,511	349,087
Less accumulated depreciation	(706,544)	(557,878)	(2,980,221)	(298,097)
Total assets	895,211	1,399,653	4,713,728	1,721,423
Liabilities				
Accounts payable	1,940	161	20,232	50,729
Salaries payable	434	434	3,680	2,742
Sales tax payable	-	-	-	2,557
Interest payable	-	1,048	4,552	-
Due to other funds	100,080	-	-	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Long-term liabilities:				
Compensated absences	282	282	3,337	2,559
Bonds, notes, and loans payable	-	419,000	1,380,000	-
Total liabilities	102,736	420,925	1,411,801	58,587

Exhibit G

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
19,386	2,281,196	19,570
15,799	301,629	-
11	3,094	-
-	24,378	-
-	131,965	-
-	445,305	-
5,473	349,338	-
-	450	-
-	12,636	-
-	18,357	-
-	5,750	-
-	9,739,326	-
-	(4,542,740)	-
<u>40,669</u>	<u>8,770,684</u>	<u>19,570</u>
7,182	80,244	-
-	7,290	-
-	2,557	-
-	5,600	-
-	100,080	-
5,473	5,473	-
-	6,460	-
-	1,799,000	-
<u>12,655</u>	<u>2,006,704</u>	<u>-</u>

(continued)

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds			
	<u>Water Utility</u>	Sewer	Electric <u>Utility</u>	Gas <u>Utility</u>
Net assets				
Invested in capital assets, net of related debt	699,491	563,735	1,989,040	50,990
Restricted for:				
Electric sinking	-	-	128,966	-
Electric improvements	-	-	581,498	-
Unrestricted:				
Reserved for improvements	21,363	-	77,100	-
Unrestricted, unreserved	<u>71,621</u>	<u>414,993</u>	<u>525,323</u>	<u>1,611,846</u>
Total net assets	<u><u>\$ 792,475</u></u>	<u><u>978,728</u></u>	<u><u>3,301,927</u></u>	<u><u>1,662,836</u></u>

See notes to financial statements.

Exhibit G

<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund Self Insurance</u>
-	3,303,256	-
-	128,966	-
-	581,498	-
-	98,463	-
<u>28,014</u>	<u>2,651,797</u>	<u>19,570</u>
<u><u>28,014</u></u>	<u><u>6,763,980</u></u>	<u><u>19,570</u></u>

Reconciliation of the Statement of Net Assets -
 Proprietary Funds to the Statement of Net Assets

June 30, 2008

Total proprietary fund balances (page 24) \$ 6,763,980

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefits plan to individual funds. The assets of the Internal Service Fund are included in proprietary activities in the Statement of Net Assets.

14,140

Net assets of business type activities (page 12) \$ 6,778,120

See notes to financial statements.

City of West Bend, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2008

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Operating revenues:				
Charges for services	\$ 96,819	136,250	1,116,694	975,010
Miscellaneous	6,897	380	22,005	1,798
Total operating revenues	<u>103,716</u>	<u>136,630</u>	<u>1,138,699</u>	<u>976,808</u>
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:				
Personal services	18,651	18,651	150,742	110,695
Purchased energy	-	-	333,635	731,593
Utilities	10,561	1,624	20,583	4,120
Repairs and maintenance	27,210	16,213	138,845	5,634
Other supplies and expenses	29,395	2,578	110,188	35,400
Depreciation	48,449	68,812	196,696	8,794
Amortization	-	413	608	300
Total operating expenses	<u>134,266</u>	<u>108,291</u>	<u>951,297</u>	<u>896,536</u>
Operating income (loss)	<u>(30,550)</u>	<u>28,339</u>	<u>187,402</u>	<u>80,272</u>
Non-operating revenues (expenses):				
Interest and dividend income	591	8,855	26,311	51,502
Interest expense	<u>(2,717)</u>	<u>(15,224)</u>	<u>(56,224)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(2,126)</u>	<u>(6,369)</u>	<u>(29,913)</u>	<u>51,502</u>
Net income (loss) before transfers	(32,676)	21,970	157,489	131,774
Transfers in (out)	<u>44,564</u>	<u>(436)</u>	<u>(32,919)</u>	<u>(81,620)</u>
Change in net assets	11,888	21,534	124,570	50,154
Net assets beginning of year	<u>780,587</u>	<u>957,194</u>	<u>3,177,357</u>	<u>1,612,682</u>
Net assets end of year	<u>\$ 792,475</u>	<u>978,728</u>	<u>3,301,927</u>	<u>1,662,836</u>

See notes to financial statements.

Exhibit I

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
120,424	2,445,197	-
-	31,080	-
<u>120,424</u>	<u>2,476,277</u>	<u>-</u>
-	-	84
-	-	884
-	298,739	-
-	1,065,228	-
-	36,888	-
-	187,902	-
112,975	290,536	2,247
-	322,751	-
-	1,321	-
<u>112,975</u>	<u>2,203,365</u>	<u>3,215</u>
<u>7,449</u>	<u>272,912</u>	<u>(3,215)</u>
213	87,472	-
-	(74,165)	-
<u>213</u>	<u>13,307</u>	<u>-</u>
7,662	286,219	(3,215)
-	(70,411)	7,179
7,662	215,808	3,964
<u>20,352</u>	<u>6,548,172</u>	<u>15,606</u>
<u>28,014</u>	<u>6,763,980</u>	<u>19,570</u>

Reconciliation of the Statement of Revenues,
Expenses and Changes in Fund Net Assets -
Proprietary Funds to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - Total proprietary funds (page 27)	\$ 215,808
The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.	<u>2,992</u>
Change in net assets of business type activities (page 14)	<u>\$ 218,800</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2008

	Enterprise Funds			
	<u>Water</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	<u>Electric</u> <u>Utility</u>	<u>Gas</u> <u>Utility</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 104,843	137,482	1,173,833	945,166
Payments to suppliers and employees	<u>(89,770)</u>	<u>(39,577)</u>	<u>(771,158)</u>	<u>(853,612)</u>
Net cash provided by (used in) operating activities	<u>15,073</u>	<u>97,905</u>	<u>402,675</u>	<u>91,554</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(436)	(436)	(32,919)	(81,620)
Transfers from other funds	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>44,564</u>	<u>(436)</u>	<u>(32,919)</u>	<u>(81,620)</u>
Cash flows from capital and related financing activities:				
Receipts (payments) from inter-fund loans	(15,283)	-	-	61,958
Purchases of capital assets	(26,174)	(10,000)	(60,052)	-
Principal paid on capital debt	-	(33,000)	(70,000)	-
Interest paid on capital debt	<u>(2,717)</u>	<u>(15,754)</u>	<u>(56,370)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(44,174)</u>	<u>(58,754)</u>	<u>(186,422)</u>	<u>61,958</u>
Cash flows from investing activities:				
Interest and dividends	<u>615</u>	<u>9,036</u>	<u>24,180</u>	<u>52,339</u>
Net cash provided by investing activities	<u>615</u>	<u>9,036</u>	<u>24,180</u>	<u>52,339</u>
Net increase (decrease) in cash and cash equivalents	16,078	47,751	207,514	124,231
Cash and cash equivalents beginning of year	<u>50,741</u>	<u>343,105</u>	<u>833,093</u>	<u>983,162</u>
Cash and cash equivalents end of year	<u>\$ 66,819</u>	<u>390,856</u>	<u>1,040,607</u>	<u>1,107,393</u>

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
121,402	2,482,726	-
<u>(116,618)</u>	<u>(1,870,735)</u>	<u>(3,215)</u>
<u>4,784</u>	<u>611,991</u>	<u>(3,215)</u>
-	(115,411)	-
<u>-</u>	<u>45,000</u>	<u>7,179</u>
-	(70,411)	7,179
-	46,675	-
-	(96,226)	-
-	(103,000)	-
<u>-</u>	<u>-</u>	<u>-</u>
-	(227,392)	-
<u>217</u>	<u>86,387</u>	<u>-</u>
<u>217</u>	<u>86,387</u>	<u>-</u>
5,001	400,575	3,964
<u>19,858</u>	<u>2,229,959</u>	<u>15,606</u>
<u>24,859</u>	<u>2,630,534</u>	<u>19,570</u>

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2008

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (30,550)	28,339	187,402	80,272
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	48,449	68,812	196,696	8,794
Amortization expense	-	413	608	300
Change in assets and liabilities:				
Receivables, net	1,220	852	30,185	(32,212)
Consumer deposits	-	-	-	-
Prepaid expenses	11	(244)	(441)	184
Inventory	(93)	-	4,948	55
Accounts and other payables	(3,826)	(129)	(18,273)	33,194
Accrued expenses	(138)	(138)	1,550	967
Net cash provided by (used in) operating activities	<u>\$ 15,073</u>	<u>97,905</u>	<u>402,675</u>	<u>91,554</u>
 Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:				
Current assets:				
Cash	\$ 66,819	390,856	696,742	1,107,393
Noncurrent assets:				
Cash	<u>-</u>	<u>-</u>	<u>343,865</u>	<u>-</u>
Cash and cash equivalents at year end	<u>\$ 66,819</u>	<u>390,856</u>	<u>1,040,607</u>	<u>1,107,393</u>

See notes to financial statements.

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
7,449	272,912	(3,215)
-	322,751	-
-	1,321	-
(4,185)	(4,140)	-
137	137	-
-	(490)	-
-	4,910	-
1,383	12,349	-
-	2,241	-
4,784	611,991	(3,215)
19,386	2,281,196	19,570
5,473	349,338	-
24,859	2,630,534	19,570

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of West Bend is a political subdivision of the State of Iowa located in Palo Alto and Kossuth counties. It 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 of West Bend provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also provides water, sewer, electric, gas, and sanitation utilities.

The financial statements of the City of West Bend have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of West Bend 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 these criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Palo Alto County Joint E911 Service Board and Palo Alto and Kossuth County Compensation boards.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

B. Basis of Presentation

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

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues 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 expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Revenues Fund is used to account for proceeds from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Electric Fund is used to account for the operation and maintenance of the City's electric utilities.

The Gas Fund is used to account for the operation and maintenance of the City's gas system.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

The proprietary funds of the City apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest on investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than twelve months.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2008 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2007.

Customer Accounts – Accounts receivable are recorded in the Enterprise Fund at the time the service is billed. Bad debt reserve of \$1,500 is netted against the balance of customer accounts.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories of materials and supplies are valued at cost using the first-in/first-out method. Inventories in the Enterprise funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/notes are classified as restricted assets since their use is restricted by applicable bond/note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers and funds set aside through the City's agreement with North Iowa Municipal Electric Cooperative Association (NIMECA).

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the city) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 15,000
Equipment and vehicles	1,000
Infrastructure	20,000

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	39 years
Improvements other than buildings	15-20 years
Vehicles	3-20 years
Equipment	6-10 years
Infrastructure	15-50 years

Bond Issuance Costs – Bond issuance costs associated with revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates and Assumptions – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

E. Budgets and Budgetary Accounting

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

(2) **Cash**

The City's deposits in banks at June 30, 2008 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, as amended by Statement No. 40.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2008

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>3,537</u>	---	---	<u>3,537</u>
Capital assets being depreciated:				
Buildings	141,000	---	---	141,000
Improvements other than buildings	31,111	---	---	31,111
Machinery, equipment and vehicles	370,444	---	---	370,444
Infrastructure, road network	895,341	25,660	---	921,001
Construction in progress	<u>---</u>	<u>12,305</u>	---	<u>12,305</u>
Total capital assets being depreciated	<u>1,437,896</u>	<u>37,965</u>	---	<u>1,475,861</u>
Less accumulated depreciation for:				
Buildings	136,384	500	---	136,884
Improvements other than buildings	6,660	2,782	---	9,442
Machinery, equipment and vehicles	198,722	25,279	---	224,001
Infrastructure, road network	<u>69,850</u>	<u>49,055</u>	---	<u>118,905</u>
Total accumulated depreciation	<u>411,616</u>	<u>77,616</u>	---	<u>489,232</u>
Total capital assets being depreciated, net	<u>1,026,280</u>	<u>-39,651</u>	---	<u>986,629</u>
Governmental activities capital assets, net	\$ <u>1,029,817</u>	<u>-39,651</u>	---	<u>990,166</u>

Included in machinery, equipment and vehicles is equipment valued at \$12,979 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$1,298 and accumulated depreciation of \$6,490.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

	Balance Beginning <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	Balance End <u>of Year</u>
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 5,750	---	---	5,750
Construction in progress	<u>1,668,946</u>	<u>32,044</u>	<u>1,700,990</u>	<u>---</u>
Total capital assets not being depreciated	<u>1,674,696</u>	<u>32,044</u>	<u>1,700,990</u>	<u>5,750</u>
Capital assets being depreciated:				
Buildings	3,024,228	26,174	---	3,050,402
Machinery, equipment and vehicles	668,380	10,000	8,800	669,580
Infrastructure, sewer, water, electric, gas networks	<u>4,290,347</u>	<u>1,728,997</u>	<u>---</u>	<u>6,019,344</u>
Total capital assets being depreciated	<u>7,982,955</u>	<u>1,765,171</u>	<u>8,800</u>	<u>9,739,326</u>
Less accumulated depreciation for:				
Buildings	1,769,435	72,498	---	1,841,933
Machinery, equipment and vehicles	519,211	36,969	8,800	547,380
Infrastructure, sewer, water, electric, gas networks	<u>1,940,143</u>	<u>213,284</u>	<u>---</u>	<u>2,153,427</u>
Total accumulated depreciation	<u>4,228,789</u>	<u>322,751</u>	<u>8,800</u>	<u>4,542,740</u>
Total capital assets being depreciated, net	<u>3,754,166</u>	<u>1,442,420</u>	<u>---</u>	<u>5,196,586</u>
Business type activities capital assets, net	\$ 5,428,862 =====	1,474,464 =====	1,700,990 =====	5,202,336 =====

Included in machinery, equipment and vehicles is equipment valued at \$49,186 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$4,919 and accumulated depreciation of \$22,955.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety	\$ 4,224
Public works, which includes the depreciation of general infrastructure assets	66,618
Culture and recreation	6,389
General government	<u>385</u>
Total depreciation expense – governmental activities	\$ 77,616 =====
Business type activities:	
Water	\$ 48,449
Sewer	68,812
Electric	196,696
Gas	<u>8,794</u>
Total depreciation expense – business type activities	\$ 322,751 =====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes:					
Drainage improvements	\$ 500,000	---	40,000	460,000	40,000
Water improvements	<u>220,000</u>	---	<u>40,000</u>	<u>180,000</u>	<u>45,000</u>
Total	\$ 720,000	---	80,000	640,000	85,000
	=====	=====	=====	=====	=====
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Business type activities:					
Revenue bonds/notes:					
Electric	\$ 1,450,000	---	70,000	1,380,000	70,000
Sewer	<u>452,000</u>	---	<u>33,000</u>	<u>419,000</u>	<u>35,000</u>
Total	\$ 1,902,000	---	103,000	1,799,000	105,000
	=====	=====	=====	=====	=====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

General obligation bonds/notes

Two issues of unmatured general obligation bonds/notes, totaling \$640,000, are outstanding at June 30, 2008. General obligation bonds bear interest at rates ranging from 3.95% to 5.10% and mature in varying annual amounts, ranging from \$40,000 to \$60,000, with the final maturities due in the year ending June 30, 2017.

Details of general obligation bonds/notes payable at June 30, 2008 are as follows:

Governmental activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final <u>Due Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2008</u>
General obligation bonds/notes:						
Drainage improvements	Sep 15, 2006	3.95%-4.30%	June 30, 2017	45,000-60,000	\$ 550,000	\$ 460,000
Corporate purpose	April 1, 2002	4.80%-5.10%	June 30, 2012	40,000-50,000	\$ 400,000	\$ <u>180,000</u>
Total governmental activities						\$ 640,000 =====

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending	<u>General Obligation</u>			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009		85,000	27,948	112,948
2010		90,000	24,250	114,250
2011		90,000	20,245	110,245
2012		100,000	16,173	116,173
2013		50,000	11,573	61,573
2014-2017		<u>225,000</u>	<u>24,236</u>	<u>249,236</u>
Total		\$ 640,000	124,425	764,425
		=====	=====	=====

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2008

Revenue notes

Two issues of unmatured revenue bonds/notes, totaling \$1,799,000, are outstanding at June 30, 2008. These bonds/notes bear interest at rates of 2.50% to 4.70% and mature in varying annual amounts ranging from \$35,000 to \$135,000, with the final maturities due in the year ending June 30, 2022.

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate hotel and motel tax revenue, sewer and water bond sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2008, the City was in compliance with the revenue bond/note provisions.

Details of revenue notes payable at June 30, 2008 are as follows:

Business type activities:	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2007</u>
Revenue bonds/notes:						
Electric revenue	Feb. 1, 2004	2.50%-4.70%	June 1, 2022	70,000-135,000	\$ 1,650,000	\$ 1,380,000
Sewer revenue CW9516R and CW9136R	Dec. 1, 1998	3.00%	Dec. 1, 2017	35,000-50,000	699,000	<u>419,000</u>
Total business type activities						\$ 1,799,000 =====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending <u>June 30,</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	105,000	66,665	171,665
2010	111,000	63,675	174,675
2011	117,000	60,330	177,330
2012	119,000	56,670	175,670
2013	126,000	52,830	178,830
2014-2018	726,000	193,003	919,003
2018-2022	<u>495,000</u>	<u>58,432</u>	<u>553,432</u>
Total	\$ 1,799,000 =====	551,605 =====	2,350,605 =====

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2008

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Hotel Motel Tax	\$ 6,500
	Enterprise: Electric	30,585
	Gas	34,585
Debt Service	Special Revenue: TIF	51,065
	Local Option Sales Tax	30,000
Internal Service: Self insurance	Enterprise: Water	436
	Sewer	436
	Electric	2,334
	Gas	2,035
	Special Revenue: Trust and Agency	1,938
Enterprise: Water	Enterprise: Gas	<u>45,000</u>
Total		\$ 204,914 =====

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

City of West Bend, Iowa
Notes to Financial Statements
June 30, 2008

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Gas	Enterprise Water	\$ 100,080
	Special Revenue TIF	<u>345,225</u>
Total		\$ 445,305 =====

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

(7) 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 3.70% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll. 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, 2008, 2007 and 2006 were \$18,470, \$16,841, and \$16,402 respectively, equal to the required contributions for each year.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2008

(8) Risk Management

The City of West Bend 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.

(9) Commitments

In 2005, the City committed to a \$100,000 Economic Development loan to be paid over four years, starting in 2006. This loan is funded by tax increment funding. As of June 30, 2008 \$74,382 has been paid on this grant.

The City has also committed to a \$280,000 street project and purchasing a fire truck for \$100,000 both of which will be partially funded by grants.

The City has authorized an additional \$250,000 expenditure for the subdrainage project. The City is also considering purchasing power in another power plant. The total amount of this contribution is not known as of the date of this audit report.

Required Supplementary Information

City of West Bend, Iowa

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, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 199,796	-	199,796
Tax increment financing	154,980	-	154,980
Other city tax	104,453	-	104,453
Licenses and permits	3,450	-	3,450
Use of money and property	22,189	68,147	90,336
Intergovernmental	195,475	-	195,475
Charges for service	13,658	2,488,115	2,501,773
Miscellaneous	20,319	60,392	80,711
Total receipts	<u>714,320</u>	<u>2,616,654</u>	<u>3,330,974</u>
Disbursements:			
Public safety	73,856	-	73,856
Public works	122,343	-	122,343
Culture and recreation	133,872	-	133,872
Community and economic development	164,982	-	164,982
General government	34,127	-	34,127
Debt service	112,048	-	112,048
Business type activities	-	2,199,835	2,199,835
Total disbursements	<u>641,228</u>	<u>2,199,835</u>	<u>2,841,063</u>
Excess (deficiency) of receipts over (under) disbursements	73,092	416,819	489,911
Other financing sources (uses), net	<u>65,170</u>	<u>(49,887)</u>	<u>15,283</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	138,262	366,932	505,194
Balances beginning of year	<u>548,450</u>	<u>1,919,737</u>	<u>2,468,187</u>
Balances end of year	<u>\$ 686,712</u>	<u>2,286,669</u>	<u>2,973,381</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
199,998	199,998	(202)
155,000	155,000	(20)
83,314	113,314	(8,861)
2,575	2,575	875
13,545	13,545	76,791
181,105	381,210	(185,735)
2,359,025	2,519,025	(17,252)
48,150	48,150	32,561
<u>3,042,712</u>	<u>3,432,817</u>	<u>(101,843)</u>
114,215	114,215	40,359
170,000	365,000	242,657
137,674	153,984	20,112
201,615	227,014	62,032
39,590	39,590	5,463
112,048	112,048	-
<u>2,272,570</u>	<u>2,496,570</u>	<u>296,735</u>
<u>3,047,712</u>	<u>3,508,421</u>	<u>667,358</u>
(5,000)	(75,604)	(769,201)
<u>-</u>	<u>-</u>	<u>15,283</u>
(5,000)	(75,604)	580,798
<u>1,840,697</u>	<u>1,840,697</u>	<u>627,490</u>
<u>1,835,697</u>	<u>1,765,093</u>	<u>1,208,288</u>

City of West Bend, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds			Proprietary Funds		
				Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 714,320	(5,753)	708,567	2,616,654	(52,905)	2,563,749
Expenditures/expenses	<u>(641,228)</u>	<u>(39,395)</u>	<u>(680,623)</u>	<u>(2,199,835)</u>	<u>(77,695)</u>	<u>(2,277,530)</u>
Net	73,092	(45,148)	27,944	416,819	(130,600)	286,219
Other financing sources, net	65,170	(1,938)	63,232	(49,887)	(20,524)	(70,411)
Beginning fund balances/ net assets	<u>548,450</u>	<u>803</u>	<u>549,253</u>	<u>1,919,737</u>	<u>4,628,435</u>	<u>6,548,172</u>
Ending fund balances/net assets	<u>\$ 686,712</u>	<u>(46,283)</u>	<u>640,429</u>	<u>2,286,669</u>	<u>4,477,311</u>	<u>6,763,980</u>

See accompanying independent auditors report.

City of West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Government 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$390,105 and increased budgeted disbursements by \$460,709. This budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

City of West Bend, Iowa

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	Special Revenue			
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel/ Motel Tax
Assets				
Cash	\$ 100,364	20,746	161,372	17,934
Receivables:				
Property tax:				
Delinquent		302		
Succeeding year, including tax increment financing		28,454		
Accrued interest		7	89	
Due from other governments	-	-	3,535	1,725
	-	-	3,535	1,725
Total assets	\$ 100,364	49,509	164,996	19,659
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	1,016			
Deferred revenue:				
Succeeding year property tax	\$ -	-	-	-
Total liabilities	1,016	-	-	-
Fund equity:				
Fund balances:				
Unreserved reported in:				
Special revenue funds	99,348	21,055	164,996	19,659
Debt service fund	-	-	-	-
Total fund equity	99,348	21,055	164,996	19,659
Total liabilities and fund equity	\$ 100,364	21,055	164,996	19,659

See accompanying independent auditor's report.

Schedule 1

<u>Debt</u> <u>Service</u>	<u>Total</u>
285	300,701
299	601
34,388	62,842
-	96
<u>-</u>	<u>5,260</u>
<u>34,972</u>	<u>369,500</u>
-	1,016
<u>-</u>	<u>-</u>
<u>-</u>	<u>1,016</u>
-	305,058
<u>584</u>	<u>584</u>
<u>584</u>	<u>305,642</u>
<u>584</u>	<u>306,658</u>

City of West Bend, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2008

	Special Revenue			
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>
Revenues:				
Property tax	\$ -	29,271	-	-
Other city tax	-	55	58,417	10,311
Use of money and property	-	277	4,080	-
Intergovernmental	71,451	-	-	-
Total revenues	<u>71,451</u>	<u>29,603</u>	<u>62,497</u>	<u>10,311</u>
Expenditures:				
Operating:				
Public safety:				
Police	-	12,617	-	-
Public works:				
Roadway maintenance	55,642	-	-	-
Culture and recreation:				
Library	-	12,005	-	-
Parks	-	42	-	-
Ice skating	-	360	-	-
Swimming pool	-	1,288	-	-
Other	-	-	-	1,000
	-	13,695	-	1,000
Community and economic development:				
Economic development	-	-	-	-
General government:				
Mayor/council	-	116	-	-
	-	116	-	-
Debt service	-	-	-	-
Total expenditures	<u>55,642</u>	<u>26,428</u>	<u>-</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,809</u>	<u>3,175</u>	<u>62,497</u>	<u>9,311</u>

Schedule 2

<u>Debt Service</u>	<u>Total</u>
31,024	60,295
30	68,813
-	4,357
-	71,451
<u>31,054</u>	<u>204,916</u>
<u>-</u>	<u>12,617</u>
<u>-</u>	<u>55,642</u>
-	12,005
-	42
-	360
-	1,288
-	1,000
<u>-</u>	<u>14,695</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>116</u>
<u>-</u>	<u>116</u>
<u>112,047</u>	<u>112,047</u>
<u>112,047</u>	<u>195,117</u>
<u>(80,993)</u>	<u>9,799</u>

(continued)

City of West Bend, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2008

	<u>Special Revenue</u>			
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/ Motel Tax</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(1,938)	(30,000)	(6,500)
Total other financing sources (uses)	<u>-</u>	<u>(1,938)</u>	<u>(30,000)</u>	<u>(6,500)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	15,809	1,237	32,497	2,811
Fund balances beginning of year	<u>83,539</u>	<u>19,818</u>	<u>132,499</u>	<u>16,848</u>
Fund balances end of year	<u>\$ 99,348</u>	<u>21,055</u>	<u>164,996</u>	<u>19,659</u>

See accompanying independent auditor's report.

Schedule 2

<u>Debt Service</u>	<u>Total</u>
81,065	81,065
<u>-</u>	<u>(38,438)</u>
<u>81,065</u>	<u>42,627</u>
72	52,426
<u>512</u>	<u>253,216</u>
<u><u>584</u></u>	<u><u>305,642</u></u>

Combining Statement of Net Assets

Nonmajor Proprietary Funds

June 30, 2008

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Assets			
Current assets:			
Cash	\$ 5,473	19,386	24,859
Accounts receivable	-	15,799	15,799
Interest receivable	-	11	11
	<u>5,473</u>	<u>35,196</u>	<u>40,669</u>
Total assets	<u>5,473</u>	<u>35,196</u>	<u>40,669</u>
Liabilities			
Current liabilities:			
Accounts payable	-	7,182	7,182
Consumer deposits	5,473	-	5,473
	<u>5,473</u>	<u>7,182</u>	<u>12,655</u>
Total liabilities	<u>5,473</u>	<u>7,182</u>	<u>12,655</u>
Net assets			
Unrestricted	-	28,014	28,014
	<u>-</u>	<u>28,014</u>	<u>28,014</u>
Total net assets	<u>\$ -</u>	<u>\$ 28,014</u>	<u>28,014</u>

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Proprietary Funds

For the Year ended June 30, 2008

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Operating revenues:			
Charges for service	\$ -	120,424	120,424
Total operating revenues	<u>-</u>	<u>120,424</u>	<u>120,424</u>
Operating expenses:			
Business type activities:			
Contractual services	-	108,896	108,896
Other supplies and expenses	-	4,079	4,079
Total operating expenses	<u>-</u>	<u>112,975</u>	<u>112,975</u>
Operating income (loss)	-	7,449	7,449
Non-operating revenues (expenses):			
Interest and investment revenue	-	213	213
Total non-operating revenue (expenses)	<u>-</u>	<u>213</u>	<u>213</u>
Change in net assets	-	7,662	7,662
Net assets beginning of year	<u>-</u>	<u>20,352</u>	<u>20,352</u>
Net assets end of year	<u>\$ -</u>	<u>\$ 28,014</u>	<u>28,014</u>

See accompanying independent auditor's report.

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Property tax	\$ 200,680	210,299	209,722	201,365
Tax increment financing revenue	154,555	158,828	146,977	134,041
Other city tax	99,455	104,198	56,917	62,266
Licenses and permits	2,855	3,099	3,230	3,115
Use of money and property	21,571	18,998	13,292	7,584
Intergovernmental	195,474	124,653	210,543	152,098
Charges for service	13,658	12,393	11,903	9,943
Miscellaneous	20,319	33,591	49,462	30,831
	<u>20,319</u>	<u>33,591</u>	<u>49,462</u>	<u>30,831</u>
Total	<u>\$ 708,567</u>	<u>666,059</u>	<u>702,046</u>	<u>601,243</u>
Expenditures:				
Operating:				
Public safety	\$ 73,716	68,924	76,435	91,467
Public works	177,446	109,412	238,622	178,388
Culture and recreation	126,017	123,805	145,456	131,270
Community and economic development	157,325	169,720	102,183	175,995
General government	34,072	45,570	37,267	30,803
Debt service	112,047	142,227	168,150	87,203
	<u>112,047</u>	<u>142,227</u>	<u>168,150</u>	<u>87,203</u>
Total	<u>\$ 680,623</u>	<u>659,658</u>	<u>768,113</u>	<u>695,126</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Water Utility
 Years ended June 30, 2008 and 2007

Schedule 6

	<u>6-30-08</u>	<u>6-30-07</u>
Operating revenues:		
Metered sales	\$ 96,819	\$ 98,174
Miscellaneous	<u>6,897</u>	<u>2,978</u>
Total operating revenue	<u>103,716</u>	<u>101,152</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	13,543	13,008
Payroll taxes and benefits	5,108	5,164
Utilities	10,561	14,657
Salt and supplies	22,732	26,492
Building and equipment maintenance	27,210	9,297
Insurance	2,547	3,442
Miscellaneous	<u>4,116</u>	<u>1,101</u>
	<u>85,817</u>	<u>73,161</u>
Depreciation:		
Water tower	8,918	8,918
Treatment plant	38,751	38,683
Equipment	<u>780</u>	<u>789</u>
	<u>48,449</u>	<u>48,390</u>
Total operating expenses	<u>134,266</u>	<u>121,551</u>
Operating income (loss)	<u>(30,550)</u>	<u>(20,399)</u>
Non-operating revenues (expenses):		
Interest income	591	426
Interest expense	<u>(2,717)</u>	<u>(3,363)</u>
Total non-operating revenues (expenses)	<u>(2,126)</u>	<u>(2,937)</u>
Net income (loss) before operating transfer	(32,676)	(23,336)
Interfund transfer	<u>44,564</u>	<u>(659)</u>
Net income (loss)	<u>\$ 11,888</u>	<u>\$ (23,995)</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Sewer Utility
 Years ended June 30, 2008 and 2007

Schedule 7

	<u>6-30-08</u>	<u>6-30-07</u>
Operating revenues:		
Sewer rental charges	\$ 136,250	\$ 135,432
Miscellaneous	380	1,000
Total operating revenue	<u>136,630</u>	<u>136,432</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	13,543	13,008
Payroll taxes and benefits	5,108	5,164
Utilities	1,624	1,813
Maintenance and repair	16,213	2,585
Insurance	1,193	989
Professional fees	400	1,255
Supplies	419	923
Amortized	413	413
Miscellaneous	566	1,433
	<u>39,479</u>	<u>27,583</u>
Depreciation:		
Furniture and fixtures	1,100	1,105
Vehicles	1,333	-
Sewer plant	66,379	52,341
	<u>68,812</u>	<u>53,446</u>
Total operating expenses	<u>108,291</u>	<u>81,029</u>
Operating income	<u>28,339</u>	<u>55,403</u>
Non-operating revenues (expenses):		
Interest income	8,855	6,727
Interest expense	<u>(15,224)</u>	<u>(19,497)</u>
Total non-operating revenues (expenses)	<u>(6,369)</u>	<u>(12,770)</u>
Net income before operating transfer	21,970	42,633
Interfund transfer	<u>(436)</u>	<u>(659)</u>
Net income	<u>\$ 21,534</u>	<u>\$ 41,974</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Electric Utility
 Years ended June 30, 2008 and 2007

Schedule 8

	<u>6-30-08</u>	<u>6-30-07</u>
Operating revenues:		
Metered sales	\$ 1,116,694	\$ 1,191,951
Miscellaneous	<u>22,005</u>	<u>14,040</u>
Total operating revenue	<u>1,138,699</u>	<u>1,205,991</u>
Operating expenses:		
Production:		
Salaries	35,514	34,699
Payroll taxes and benefits	7,830	12,670
Utilities	18,070	20,064
Electric energy purchased	333,635	506,357
Maintenance - Plant, building, engines	10,666	46,695
Walter Scott power plant	81,986	-
Sutherland power plant	<u>45,780</u>	<u>-</u>
	<u>533,481</u>	<u>620,485</u>
Distribution system maintenance:		
Salaries	23,062	21,119
Payroll taxes and benefits	6,708	6,914
Lines, poles, towers, conductors, meters, etc.	40,131	31,416
Telephone and radio	784	1,675
Motor vehicles	5,375	5,863
Supplies	21	2,556
Maintenance - Building	<u>413</u>	<u>696</u>
	<u>76,494</u>	<u>70,239</u>
Collection and accounting:		
Salaries	34,069	31,966
Payroll taxes and benefits	11,872	11,994
Office supplies	2,717	3,836
Programming	<u>3,120</u>	<u>2,903</u>
	<u>51,778</u>	<u>50,699</u>
Administrative:		
Salaries	24,866	25,164
Payroll taxes and benefits	6,821	7,031
Professional fees	8,736	6,122
Travel and meetings	-	759

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Electric Utility
 Years ended June 30, 2008 and 2007

Schedule 8

	<u>6-30-08</u>	<u>6-30-07</u>
Operating expenses (continued):		
Administrative (continued):		
Insurance	25,682	32,959
Telephone and radio	1,729	1,595
Miscellaneous taxes	1,691	2,306
Property taxes	9,638	11,515
Amortization	608	608
Miscellaneous	<u>13,077</u>	<u>10,827</u>
	<u>92,848</u>	<u>98,278</u>
Depreciation:		
Buildings	630	685
Generating plant and equipment	91,726	35,813
Distribution system	75,801	74,051
Furniture and fixtures	8,234	8,306
Vehicles	<u>20,305</u>	<u>20,305</u>
	<u>196,696</u>	<u>139,160</u>
Total operating expenses	<u>951,297</u>	<u>978,861</u>
Operating income	187,402	227,130
Non-operating revenues (expenses):		
Interest income	26,311	41,763
Interest expense	<u>(56,224)</u>	<u>(57,846)</u>
Total non-operating revenues (expenses)	<u>(29,913)</u>	<u>(16,083)</u>
Net income before operating transfers	157,489	211,047
Interfund transfer	<u>(32,919)</u>	<u>(34,345)</u>
Net income	<u>\$ 124,570</u>	<u>\$ 176,702</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2008 and 2007

Schedule 9

	<u>6-30-08</u>	<u>6-30-07</u>
Operating revenues:		
Metered sales	\$ 975,010	\$ 917,783
Miscellaneous	<u>1,798</u>	<u>2,094</u>
Total operating revenue	<u>976,808</u>	<u>919,877</u>
 Operating expenses:		
Production:		
Cost of gas purchased	<u>731,593</u>	<u>661,037</u>
 Distribution system maintenance:		
Salaries	25,219	23,586
Payroll taxes and benefits	7,826	7,771
Utilities	4,120	4,304
Meters, mains, valves	1,607	2,728
Equipment and building repairs	5,634	1,457
Miscellaneous	<u>1,340</u>	<u>3,248</u>
	<u>45,746</u>	<u>43,094</u>
 Collection and accounting:		
Salaries	34,069	31,965
Payroll taxes and benefits	11,871	11,994
Office supplies	2,616	3,872
Professional fees	<u>3,120</u>	<u>2,903</u>
	<u>51,676</u>	<u>50,734</u>
 Administrative:		
Salaries	23,157	22,600
Payroll taxes and benefits	8,553	7,269
Insurance	6,102	7,211
Professional fees	9,468	3,575
Telephone	1,591	1,595
Meetings and travel	705	1,965
Amortization and gas allocating costs	300	300
Dues	2,285	2,278
Miscellaneous	<u>6,566</u>	<u>3,161</u>
	<u>58,727</u>	<u>49,954</u>

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2008 and 2007

Schedule 9

	<u>6-30-08</u>	<u>6-30-07</u>
Operating expenses (continued):		
Depreciation:		
Buildings	513	555
Distribution systems	3,064	3,064
Furniture and fixtures	1,734	1,806
Vehicles	<u>3,483</u>	<u>3,483</u>
	<u>8,794</u>	<u>8,908</u>
Total operating expenses	<u>896,536</u>	<u>813,727</u>
Operating income	80,272	106,150
Non-operating revenues (expenses):		
Interest income	<u>51,502</u>	<u>47,320</u>
Total non-operating revenues (expenses)	<u>51,502</u>	<u>47,320</u>
Net income before operating transfers	131,774	153,470
Interfund transfer	<u>(81,620)</u>	<u>(26,993)</u>
Net income	<u>\$ 50,154</u>	<u>\$ 126,477</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

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 Bend, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit 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 Bend's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of West Bend's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Bend's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of West Bend's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a

misstatement of the City of West Bend's financial statements that is more than inconsequential will not be prevented or detected by the City of West Bend's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of West Bend's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Bend's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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, 2007 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.

The City of West Bend's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of West Bend's responses and, accordingly, we express no opinion on them.

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 Bend and other parties to whom the City of West Bend 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 Bend 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

October 28, 2008

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

I-A-08 Financial Reporting – During the audit, we noted that material balance sheet items such as accounts receivable, accounts payable, capital asset additions and long term debt changes were not adjusted to actual. Adjustments have subsequently been made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all material balance sheet items are adjusted to actual.

Response – We prefer having our auditor assist in adjusting the balance sheet accounts to actual. Also, recording our transactions on the cash basis helps us monitor our budget variances.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008, did not exceed the amounts budgeted.

II-B-08 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2008

II-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bruce Helleseth, Council Member, Owner of Helleseth Construction	Street Repairs	\$ 450

This transaction does not appear to represent a conflict of interest since the total transaction is less than \$2,500.

II-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

II-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-08 Revenue Bonds/Notes – The provisions of the resolutions for the issuance of the City's revenue bonds/notes were complied with.