

CITY OF WEST BEND, IOWA

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

YEAR ENDED JUNE 30, 2010

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> (Before January 2010)	<u>Term Expires</u>
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
(After January 2010)		
Marilyn Schutz	Mayor	12-31-11
Paul Lauck	Mayor Pro Tem	12-31-13
Mary Jane Hanselmen	Council Member	12-31-11
Jeff Miller	Council Member	12-31-13
Joe Montag	Council Member	12-31-11
Bruce Helleseeth	Council Member	12-31-13
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, 2010, 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 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, 2010, 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 November 1, 2010 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 or 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 56 through 60 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 six years ended June 30, 2009 (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

November 1, 2010

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, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the City of West Bend exceeded liabilities at June 30, 2010 by \$8,674,834. Of this amount, \$3,510,472 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$614,329 during the year. Of this amount the assets of governmental activities increased \$260,991 and the assets of business activities increased by \$353,338.
- Total debt decreased by \$197,477 during the 2009-2010 fiscal year. Of this amount, governmental activities retired \$90,000 of existing debt and business type activities retired \$111,000 of existing debt. OPEB liabilities were added to the long term liabilities. Governmental activities added \$2,600 and business activities added \$7,804.

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, 2010.

	Governmental Activities	Business Type Activities	2010 Total	2009 Total
Current and Other Assets	\$ 883,178	4,078,797	4,961,975	4,406,246
Capital Assets	1,551,822	4,845,141	6,396,963	6,549,500
Total Assets	2,435,000	8,923,938	11,358,938	10,955,746
Long-term Liabilities	468,441	1,594,713	2,063,154	2,254,175
Other Liabilities	486,749	134,202	620,951	641,066
Total Liabilities	955,190	1,728,915	2,684,105	2,895,241
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,086,822	3,262,141	4,348,963	4,216,097
Restricted	689	814,710	815,399	756,686
Unrestricted	392,299	3,118,173	3,510,472	3,087,722
Net Total Assets	\$ 1,479,810	7,195,024	8,674,834	8,060,505

\$815,399 of the City of West Bend’s net assets (9.4%) represents resources that are subject to external restrictions of their use. The remaining balance of unrestricted net assets, \$3,510,472 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, 2010.

Net assets of governmental activities increased from FY09 to FY10 by approximately \$260,991. Net assets of the business type activities increased from FY09 to FY10 by approximately \$353,338.

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

	Governmental Activities	Business Type Activities	2010 Total	2009 Total
Program Revenues:				
Charges for Service	\$ 20,290	2,459,572	2,479,862	2,424,123
Operating Grants, Contributions & Restricted Interest	311,521	-	311,521	178,753
Capital Grants, Contributions & Restricted Interest	-	-	-	-
General Revenues:				
Property Tax for General Purposes	227,835	-	227,835	220,956
Property Tax for Debt Service	32,690	-	32,690	34,482
Tax Increment Financing Revenue	240,529	-	240,529	229,553
Local Option Sales Tax	57,103	-	57,103	59,528
Local Hotel Motel Tax	10,677	-	10,677	13,696
Unrestricted Investment Earnings	13,114	34,209	47,323	68,144
Miscellaneous	29,933	-	29,933	29,422
Transfers	4,398	(4,398)	-	-
Total Revenue	948,090	2,489,383	3,437,473	3,258,657
Program Expenses:				
Public Safety	92,542	-	92,542	77,785
Public Works	125,130	-	125,130	102,125
Culture & Recreation	162,130	-	162,130	168,492
Community & Economic Development	247,509	-	247,509	110,463
General Government	35,172	-	35,172	35,544
Interest on Long Term Debt	24,616	-	24,616	28,339
Water	-	122,354	122,354	119,812
Sewer	-	119,241	119,241	117,097
Electric	-	1,036,250	1,036,250	998,869
Gas	-	731,530	731,530	842,804
Other Non-major	-	126,670	126,670	122,443
Total Expenses	687,099	2,136,045	2,823,144	2,623,773
Increase in Net Assets	260,991	353,338	614,329	634,884
Net Assets July 1, 2009	1,218,819	6,841,686	8,060,505	7,425,621
Net Assets June 30, 2010	\$ 1,479,810	7,195,024	8,674,834	8,060,505

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

At June 30, 2010, the City of West Bend's governmental funds reported a total fund balance of \$389,480. This is greater than the \$265,606 restated total fund balance at June 30, 2009. 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 FY10 with a \$403,413 balance compared to the previous year ending fund balance of \$274,901. This increase is due the receipt of RISE grant funds affiliated with the extension of 1st Street NE.
- **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 FY10 with a (\$249,506) balance compared to the previous year ending fund balance of \$1,234. This large decrease in the fund balance is due to the retroactive reporting of an interfund loan payable to the gas fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- **Water Fund** – The Water Fund, which accounts for the operation of the City's water system, ended FY10 with a \$920,635 net asset balance compared to the prior year ending net asset balance of \$839,641. This increase is due to the improvements made to the water distribution system along Highway 15.
- **Sewer Fund** – The Sewer Fund, which accounts for the operation of the City's wastewater treatment and sanitary sewer system, ended FY10 with a \$1,025,170 net asset balance compared to the prior year ending net asset balance of \$1,004,384. The increase in the net assets is due to a decrease in the bonds payable and an increase in the sewer reserves.
- **Electric Fund** – The Electric Fund, which accounts for the operation of the municipal electric utility, ended FY10 with a \$3,491,153 net asset balance compared to the prior year ending net asset balance of \$3,503,891. This increase is due to a decrease in the bonds payable and an increase in the electric reserves.
- **Gas Fund** – The Gas Fund, which accounts for the operation of the municipal gas utility, ended FY10 with a \$1,689,357 net asset balance compared to the prior year ending net asset balance of \$1,543,832. The increase in the net assets is due to the addition of unrestricted reserves.

BUDGETARY HIGHLIGHTS

During the fiscal year ending June 30, 2010, the City amended its budget three times. The first amendment was made in August 2009. The amendment provided for additional disbursements due to a development agreement with West Bend Economic Development in order to purchase more land in the Industrial Park No. 2. Water main improvements and the completion of the extension of 1st Street NE were made in the Industrial Park. The second amendment was made in February of 2010. This amendment provided for additional expenditures due to the purchase of more land by West Bend Economic Development through a development agreement. The final amendment was made in May of 2010. This amendment provided for the additional expenditures due to casino grant 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 \$1,551,822 (net of accumulated depreciation) at June 30, 2010. Capital assets for business type activities totaled \$4,845,141 (net of accumulated depreciation) at June 30, 2010.

The major capital outlays for governmental activities during the fiscal year included completion of the extension of 1st Street NE in the West Bend Industrial Park and storm sewer improvements along Highway 15.

The major capital outlays for business activities during this fiscal year included the installation of a water main along Highway 15.

Construction in progress for business activities consists of the infrastructure affiliated with the installation of a street and water main in the West Bend Industrial Park No. 2.

Long-Term Debt

At June 30, 2009, the City of West Bend had \$555,000 in long-term debt for the governmental activities. Total long-term debt in the business type activities was \$1,694,000 at June 30, 2009. More detailed information about the City's long-term debt is provided below:

- After making bond principal payments of \$90,000 and adding \$2,600 for OPEB liabilities during FY10, the City had \$467,600 in general obligation bonds/notes outstanding as of June 30, 2010. The general obligation bonds that were issued paid for water plant and distribution improvements and the participation in a joint drainage district project.

- After making bond principal payments of \$111,000 and adding \$7,804 for OPEB liabilities during FY10, the City had \$1,590,804 in total revenue bonds/notes outstanding as of June 30, 2010. 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 FY11 budget. Elected and appointed officials and department heads considered many factors such as tax rates and fees that will be charged for various City services and activities. Increases in fuel and product purchases were also considered.

The General Fund is projected to end FY11 with a fund balance of approximately \$340,000.

The tax levy rates per \$1,000 of taxable valuation for FY11 are provided below:

FY11 Levy Rates	
General Levy Rate	\$ 8.10000
Insurance	1.37217
Employee Benefits	1.01204
Debt Service	1.19188
Total	\$ 11.67609

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, 2010

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 643,931	2,941,870	3,585,801
Receivables:			
Property tax:			
Delinquent	3,648	-	3,648
Succeeding year	470,489	-	470,489
Customer accounts	-	279,630	279,630
Accrued interest	108	1,395	1,503
Due from other governments	9,301	-	9,301
Due from other funds	(259,000)	259,000	-
Inventories	-	140,527	140,527
Prepaid expenses	14,701	25,560	40,261
Bond issuance costs	-	10,595	10,595
Patronage dividends	-	21,052	21,052
Cost of obtaining gas allocation	-	150	150
Restricted assets:			
Cash	-	399,018	399,018
Capital assets (net of accumulated depreciation)	<u>1,551,822</u>	<u>4,845,141</u>	<u>6,396,963</u>
Total assets	<u>2,435,000</u>	<u>8,923,938</u>	<u>11,358,938</u>
Liabilities			
Accounts payable	7,311	111,680	118,991
Salaries and benefits payable	7,262	8,576	15,838
Sales tax payable	-	2,274	2,274
Deferred revenue:			
Succeeding year property tax	470,489	-	470,489
Interest payable	1,687	5,074	6,761
Liabilities payable from restricted assets:			
Customer deposits	-	6,598	6,598

(continued)

Statement of Net Assets

June 30, 2010

	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	90,000	-	90,000
Revenue bonds/notes payable	-	117,000	117,000
Compensated absences	841	3,909	4,750
Portion due or payable after one year:			
General obligation bonds/notes	375,000	-	375,000
Revenue bonds/notes payable	-	1,466,000	1,466,000
Net OPEB liability	2,600	7,804	10,404
Total liabilities	<u>955,190</u>	<u>1,728,915</u>	<u>2,684,105</u>
Net Assets			
Invested in capital assets, net of related debt	1,086,822	3,262,141	4,348,963
Restricted for:			
Debt service	689	-	689
Revenue bond retirement	-	152,228	152,228
Electric improvements	-	662,482	662,482
Unrestricted	392,299	3,118,173	3,510,472
Total net assets	<u>\$ 1,479,810</u>	<u>7,195,024</u>	<u>8,674,834</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Activities
Year ended June 30, 2010

Functions/Programs:	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Public safety	\$ 92,542	120	209,806	-
Public works	125,130	-	78,338	-
Culture and recreation	162,130	20,170	23,377	-
Community and economic development	247,509	-	-	-
General government	35,172	-	-	-
Interst on long-term debt	24,616	-	-	-
Total governmental activities	687,099	20,290	311,521	-
Business type activities:				
Water	122,354	103,377	-	-
Sewer	119,241	136,092	-	-
Electric	1,036,250	1,159,692	-	-
Gas	731,530	932,507	-	-
Other nonmajor	126,670	127,904	-	-
Total business type activities	2,136,045	2,459,572	-	-
Total	\$ 2,823,144	2,479,862	311,521	-

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.

Exhibit B

Net (Expense) Revenue and
Change in Net Assets

Governmental Activities	Business Type Activities	Total
117,384	-	117,384
(46,792)	-	(46,792)
(118,583)	-	(118,583)
(247,509)	-	(247,509)
(35,172)	-	(35,172)
(24,616)	-	(24,616)
<u>(355,288)</u>	<u>-</u>	<u>(355,288)</u>
-	(18,977)	(18,977)
-	16,851	16,851
-	123,442	123,442
-	200,977	200,977
-	1,234	1,234
<u>-</u>	<u>323,527</u>	<u>323,527</u>
<u>(355,288)</u>	<u>323,527</u>	<u>(31,761)</u>
\$ 227,835	-	227,835
32,690	-	32,690
240,529	-	240,529
57,103	-	57,103
10,677	-	10,677
13,114	34,209	47,323
29,933	-	29,933
4,398	(4,398)	-
<u>616,279</u>	<u>29,811</u>	<u>646,090</u>
260,991	353,338	614,329
<u>1,218,819</u>	<u>6,841,686</u>	<u>8,060,505</u>
<u>\$ 1,479,810</u>	<u>7,195,024</u>	<u>8,674,834</u>

City of West Bend, Iowa
Balance Sheet
Governmental Funds
June 30, 2010

Exhibit C

	<u>General</u>	Special Revenue <u>TIF</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash	\$ 401,530	8,099	225,666	635,295
Receivables:				
Property tax:				
Delinquent	1,668	1,395	585	3,648
Succeeding year, including tax increment financing	169,310	252,320	48,859	470,489
Accrued interest	87	-	21	108
Due from other governments	-	-	9,301	9,301
Prepaid insurance	<u>14,701</u>	<u>-</u>	<u>-</u>	<u>14,701</u>
Total assets	<u>\$ 587,296</u>	<u>261,814</u>	<u>284,432</u>	<u>1,133,542</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,311	-	-	7,311
Salaries and benefits payable	7,262	-	-	7,262
Due to other funds	-	259,000	-	259,000
Deferred revenue:				
Succeeding year property tax, including tax increment financing	<u>169,310</u>	<u>252,320</u>	<u>48,859</u>	<u>470,489</u>
Total liabilities	<u>183,883</u>	<u>511,320</u>	<u>48,859</u>	<u>744,062</u>
Fund balances:				
Reserved for:				
Prepaid expenditures	14,701	-	-	14,701
Debt service	-	-	689	689
Undesignated, reported in:				
General fund	388,712	-	-	388,712
Special revenue funds	<u>-</u>	<u>(249,506)</u>	<u>234,884</u>	<u>(14,622)</u>
Total fund balances	<u>403,413</u>	<u>(249,506)</u>	<u>235,573</u>	<u>389,480</u>
Total liabilities and fund balances	<u>\$ 587,296</u>	<u>\$ 261,814</u>	<u>284,432</u>	<u>1,133,542</u>

See notes to financial statements.

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

June 30, 2010

Total governmental fund balances (page 15) \$ 389,480

*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. The cost of assets is \$2,241,179 and the accumulated depreciation is \$689,357. 1,551,822

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. 8,636

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	(465,000)	
Net OPEB liability	(2,600)	
Accrued interest payable	(1,687)	
Compensated absences	(841)	(470,128)

Net assets of governmental activities (page 12) \$ 1,479,810

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Governmental Funds

Year ended June 30, 2010

	<u>General</u>	Special Revenue <u>TIF</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Property tax	\$ 164,852	-	62,326	227,178
Tax increment financing	-	240,529	-	240,529
Other city tax	33,267	-	67,860	101,127
Licenses and permits	2,167	-	-	2,167
Use of money and property	12,348	-	766	13,114
Intergovernmental	229,456	-	78,338	307,794
Charges for service	17,823	-	-	17,823
Miscellaneous	33,410	-	-	33,410
Total revenues	<u>493,323</u>	<u>240,529</u>	<u>209,290</u>	<u>943,142</u>
Expenditures:				
Operating:				
Public safety:				
Police	41,899	-	13,294	55,193
Civil defense	3,631	-	-	3,631
Fire	23,759	-	-	23,759
Animal control	338	-	-	338
	<u>69,627</u>	<u>-</u>	<u>13,294</u>	<u>82,921</u>
Public works:				
Roadway maintenance	69,203	-	48,919	118,122
Storm sewer	36,559	-	-	36,559
Street lighting	5,945	-	-	5,945
Traffic safety	815	-	-	815
Street cleaning	1,150	-	-	1,150
	<u>113,672</u>	<u>-</u>	<u>48,919</u>	<u>162,591</u>
Culture and recreation:				
Library	68,368	-	12,576	80,944
Parks	16,712	-	73	16,785
Ice skating	10,972	-	365	11,337
Community center	23,193	-	-	23,193
Swimming pool	39,941	-	1,373	41,314
Other	-	-	6,000	6,000
	<u>159,186</u>	<u>-</u>	<u>20,387</u>	<u>179,573</u>

(continued)

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Governmental Funds

Year ended June 30, 2010

	<u>General</u>	Special Revenue <u>TIF</u>	<u>Nonmajor</u>	<u>Total</u>
Community and economic development:				
Economic development	52,141	180,214	-	232,355
Community beautification	6,360	-	-	6,360
Other	44	8,750	-	8,794
	<u>58,545</u>	<u>188,964</u>	<u>-</u>	<u>247,509</u>
General government:				
Mayor/council	2,620	-	108	2,728
City clerk/treasurer	4,496	-	-	4,496
Elections	797	-	-	797
Legal	2,923	-	-	2,923
General liability insurance	23,843	-	-	23,843
	<u>34,679</u>	<u>-</u>	<u>108</u>	<u>34,787</u>
Debt service	-	-	114,950	114,950
Total expenditures	<u>435,709</u>	<u>188,964</u>	<u>197,658</u>	<u>822,331</u>
Excess of revenues over expenditures	<u>57,614</u>	<u>51,565</u>	<u>11,632</u>	<u>120,811</u>
Other financing sources (uses):				
Operating transfers in	70,898	-	82,305	153,203
Operating transfers out	-	(52,305)	(97,835)	(150,140)
Total other financing sources (uses)	<u>70,898</u>	<u>(52,305)</u>	<u>(15,530)</u>	<u>3,063</u>
Net change in fund balances	128,512	(740)	(3,898)	123,874
Fund balances (deficit) beginning of year, as restated	<u>274,901</u>	<u>(248,766)</u>	<u>239,471</u>	<u>265,606</u>
Fund balances (deficit) end of year	<u>\$ 403,413</u>	<u>(249,506)</u>	<u>235,573</u>	<u>389,480</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, 2010

Net change in fund balances - Total governmental funds (page 18) \$ 123,874

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	159,008	
Depreciation expense	<u>(111,871)</u>	47,137

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	<u>90,000</u>	90,000
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(continued)

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

Year ended June 30, 2010

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	517	
Other postemployment benefits	(2,600)	
Interest on long-term debt	<u>334</u>	(1,749)

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.

1,729

Change in net assets of governmental activities (page 14)

\$ 260,991

See notes to financial statements.

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Assets				
Cash	\$ 96,836	481,555	1,035,995	1,278,787
Accounts receivable	14,911	21,012	151,097	76,293
Interest receivable	16	86	925	365
Prepaid expenses	1,865	326	19,980	3,389
Inventory	10,487	-	125,565	4,475
Due from other funds	-	-	-	327,330
Restricted cash	-	-	392,420	-
Cost of obtaining gas allocation	-	-	-	150
Bond issuance costs	-	3,300	7,295	-
Patronage dividends receivable	-	-	21,052	-
Capital assets:				
Land	1,000	-	4,750	-
Buildings and equipment	1,677,874	1,567,467	6,425,730	358,087
Less accumulated depreciation	(811,038)	(698,121)	(3,365,689)	(314,919)
Total assets	991,951	1,375,625	4,819,120	1,733,957
Liabilities				
Accounts payable	1,885	486	66,718	33,545
Salaries payable	514	514	3,974	3,574
Sales tax payable	-	-	-	2,274
Interest payable	-	870	4,204	-
Due to other funds	68,330	-	-	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Long-term liabilities:				
Compensated absences	-	-	1,432	2,477
Net OPEB liability	585	585	3,903	2,731
Bonds, notes, and loans payable	-	348,000	1,235,000	-
Total liabilities	71,314	350,455	1,315,231	44,601

Exhibit G

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
28,780	2,921,953	28,553
16,317	279,630	-
3	1,395	-
-	25,560	-
-	140,527	-
-	327,330	-
6,598	399,018	-
-	150	-
-	10,595	-
-	21,052	-
-	5,750	-
-	10,029,158	-
-	(5,189,767)	-
<u>51,698</u>	<u>8,972,351</u>	<u>28,553</u>
9,046	111,680	-
-	8,576	-
-	2,274	-
-	5,074	-
-	68,330	-
6,598	6,598	-
-	3,909	-
-	7,804	-
-	1,583,000	-
<u>15,644</u>	<u>1,797,245</u>	<u>-</u>

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Net assets				
Invested in capital assets, net of related debt	867,836	521,346	1,829,791	43,168
Restricted for:				
Electric sinking	-	-	152,228	-
Electric improvements	-	-	662,482	-
Unrestricted:				
Reserved for improvements	42,041	-	361,280	-
Unrestricted, unreserved	<u>10,758</u>	<u>503,824</u>	<u>498,110</u>	<u>1,646,189</u>
Total net assets	<u><u>\$ 920,635</u></u>	<u><u>1,025,170</u></u>	<u><u>3,503,891</u></u>	<u><u>1,689,357</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>
-	3,262,141	-
-	152,228	-
-	662,482	-
-	403,321	-
<u>36,054</u>	<u>2,694,935</u>	<u>28,553</u>
<u><u>36,054</u></u>	<u><u>7,175,107</u></u>	<u><u>28,553</u></u>

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

June 30, 2010

Total proprietary fund balances (page 24) \$ 7,175,107

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.

19,917

Net assets of business type activities (page 12) \$ 7,195,024

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, 2010

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Operating revenues:				
Charges for services	\$ 96,501	136,052	1,124,054	930,451
Miscellaneous	<u>6,876</u>	<u>40</u>	<u>35,638</u>	<u>2,056</u>
Total operating revenues	<u>103,377</u>	<u>136,092</u>	<u>1,159,692</u>	<u>932,507</u>
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:				
Personal services	20,050	20,051	150,004	116,790
Purchased energy	-	-	427,767	544,099
Utilities	9,631	1,682	14,292	3,419
Repairs and maintenance	11,354	13,455	63,288	1,277
Other supplies and expenses	23,668	1,922	139,284	56,829
Depreciation	55,689	70,793	188,029	8,703
Amortization	<u>-</u>	<u>413</u>	<u>608</u>	<u>-</u>
Total operating expenses	<u>120,392</u>	<u>108,316</u>	<u>983,272</u>	<u>731,117</u>
Operating income (loss)	<u>(17,015)</u>	<u>27,776</u>	<u>176,420</u>	<u>201,390</u>
Non-operating revenues (expenses):				
Interest and dividend income	236	4,200	10,175	19,486
Interest expense	<u>(1,927)</u>	<u>(10,890)</u>	<u>(52,508)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(1,691)</u>	<u>(6,690)</u>	<u>(42,333)</u>	<u>19,486</u>
Net income (loss) before transfers	(18,706)	21,086	134,087	220,876
Transfers in (out)	<u>99,700</u>	<u>(300)</u>	<u>(32,120)</u>	<u>(75,351)</u>
Change in net assets	80,994	20,786	101,967	145,525
Net assets beginning of year	<u>839,641</u>	<u>1,004,384</u>	<u>3,401,924</u>	<u>1,543,832</u>
Net assets end of year	<u>\$ 920,635</u>	<u>1,025,170</u>	<u>3,503,891</u>	<u>1,689,357</u>

See notes to financial statements.

Exhibit I

Other Nonmajor Enterprise Funds	<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
127,904	2,414,962	-
-	44,610	550
<u>127,904</u>	<u>2,459,572</u>	<u>550</u>
-	-	78
-	-	78
-	306,895	-
-	971,866	-
-	29,024	-
-	89,374	-
126,670	348,373	953
-	323,214	-
-	1,021	-
<u>126,670</u>	<u>2,069,767</u>	<u>1,109</u>
<u>1,234</u>	<u>389,805</u>	<u>(559)</u>
112	34,209	-
-	(65,325)	-
<u>112</u>	<u>(31,116)</u>	<u>-</u>
1,346	358,689	(559)
-	(8,071)	5,008
1,346	350,618	4,449
<u>34,708</u>	<u>6,824,489</u>	<u>24,104</u>
<u>36,054</u>	<u>7,175,107</u>	<u>28,553</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, 2010

Net change in fund balances - Total proprietary funds (page 27)	\$ 350,618
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>2,720</u>
Change in net assets of business type activities (page 14)	<u><u>\$ 353,338</u></u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2010

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 104,778	136,181	1,188,901	921,359
Payments to suppliers and employees	(66,942)	(37,765)	(764,667)	(719,476)
Net cash provided by (used in) operating activities	<u>37,836</u>	<u>98,416</u>	<u>424,234</u>	<u>201,883</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(300)	(300)	(32,119)	(75,351)
Transfers from other funds	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>99,700</u>	<u>(300)</u>	<u>(32,119)</u>	<u>(75,351)</u>
Cash flows from capital and related financing activities:				
Receipts (payments) from inter-fund loans	-	-	-	7,073
Purchases of capital assets	(102,039)	(1,343)	(20,159)	-
Principal paid on capital debt	(16,073)	(36,000)	(75,000)	-
Interest paid on capital debt	<u>(1,927)</u>	<u>(10,980)</u>	<u>(52,695)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(120,039)</u>	<u>(48,323)</u>	<u>(147,854)</u>	<u>7,073</u>
Cash flows from investing activities:				
Interest and dividends	<u>233</u>	<u>4,252</u>	<u>8,874</u>	<u>19,768</u>
Net cash provided by investing activities	<u>233</u>	<u>4,252</u>	<u>8,874</u>	<u>19,768</u>
Net increase (decrease) in cash and cash equivalents	17,730	54,045	253,135	153,373
Cash and cash equivalents beginning of year	<u>79,106</u>	<u>427,510</u>	<u>1,175,280</u>	<u>1,125,414</u>
Cash and cash equivalents end of year	<u>\$ 96,836</u>	<u>481,555</u>	<u>1,428,415</u>	<u>1,278,787</u>

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
128,424	2,479,643	550
<u>(117,624)</u>	<u>(1,706,474)</u>	<u>(1,109)</u>
<u>10,800</u>	<u>773,169</u>	<u>(559)</u>
-	(108,070)	-
<u>-</u>	<u>100,000</u>	<u>5,008</u>
-	(8,070)	5,008
<u>-</u>	<u>(8,070)</u>	<u>5,008</u>
-	7,073	-
-	(123,541)	-
-	(127,073)	-
<u>-</u>	<u>(65,602)</u>	<u>-</u>
-	(309,143)	-
<u>-</u>	<u>(309,143)</u>	<u>-</u>
117	33,244	-
<u>117</u>	<u>33,244</u>	<u>-</u>
10,917	489,200	4,449
<u>24,461</u>	<u>2,831,771</u>	<u>24,104</u>
<u>35,378</u>	<u>3,320,971</u>	<u>28,553</u>

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2010

	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)	\$ (17,015)	27,776	176,420	201,390
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	55,689	70,793	188,029	8,703
Amortization expense	-	413	608	-
Change in assets and liabilities:				
Receivables, net	33	(109)	(285)	(12,073)
Consumer deposits	-	-	-	-
Prepaid expenses	(123)	253	(104)	(275)
Inventory	1,170	-	15,435	(130)
Accounts and other payables	(2,532)	(1,325)	39,763	1,332
Accrued expenses	29	30	465	205
Increase in other postemployment benefits	585	585	3,903	2,731
Net cash provided by (used in) operating activities	\$ 37,836	98,416	424,234	201,883
 Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:				
Current assets:				
Cash	\$ 96,836	481,555	1,035,995	1,278,787
Restricted assets:				
Cash	-	-	392,420	-
Cash and cash equivalents at year end	\$ 96,836	481,555	1,428,415	1,278,787

See notes to financial statements.

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
1,234	389,805	(559)
-	323,214	-
-	1,021	-
187	(12,247)	-
333	333	-
-	(249)	-
-	16,475	-
9,046	46,284	-
-	729	-
-	7,804	-
<u>10,800</u>	<u>773,169</u>	<u>(559)</u>
28,780	2,921,953	28,553
<u>6,598</u>	<u>399,018</u>	<u>-</u>
<u>35,378</u>	<u>3,320,971</u>	<u>28,553</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

(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, 2010

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 the following 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, 2010

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, 2010

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, 2010

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 earned on investments is 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, 2010

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, 2010 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2009.

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, 2010, 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, 2010

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 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, 2010

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, 2010

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, 2010. 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, 2010

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, 2010 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, 2010

(3) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	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	17,360	---	48,471
Machinery, equipment and vehicles	489,444	13,416	---	502,860
Infrastructure, road network	1,218,741	326,570	---	1,545,311
Construction in progress	<u>198,338</u>	---	<u>198,338</u>	---
Total capital assets being depreciated	<u>2,078,634</u>	<u>357,346</u>	<u>198,338</u>	<u>2,237,642</u>
Less accumulated depreciation for:				
Buildings	137,384	500	---	137,884
Improvements other than buildings	12,030	3,861	---	15,891
Machinery, equipment and vehicles	249,508	29,159	---	278,667
Infrastructure, road network	<u>178,564</u>	<u>78,351</u>	---	<u>256,915</u>
Total accumulated depreciation	<u>577,486</u>	<u>111,871</u>	---	<u>689,357</u>
Total capital assets being depreciated, net	<u>1,501,148</u>	<u>245,475</u>	<u>198,338</u>	<u>1,548,285</u>
Governmental activities capital assets, net	\$ <u>1,504,685</u>	<u>245,475</u>	<u>198,338</u>	<u>1,551,822</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 \$9,086.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2010

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 5,750	---	---	5,750
Construction in progress	<u>96,231</u>	---	<u>96,231</u>	---
Total capital assets not being depreciated	<u>101,981</u>	---	<u>96,231</u>	<u>5,750</u>
Capital assets being depreciated:				
Buildings	3,050,402	172,758	---	3,223,160
Machinery, equipment and vehicles	692,968	1,010	---	693,978
Infrastructure, sewer, water, electric, gas networks	<u>6,066,017</u>	<u>46,003</u>	---	<u>6,112,020</u>
Total capital assets being depreciated	<u>9,809,387</u>	<u>219,771</u>	---	<u>10,029,158</u>
Less accumulated depreciation for:				
Buildings	1,914,374	79,416	---	1,993,790
Machinery, equipment and vehicles	584,430	27,228	---	611,658
Infrastructure, sewer, water, electric, gas networks	<u>2,367,749</u>	<u>216,570</u>	---	<u>2,584,319</u>
Total accumulated depreciation	<u>4,866,553</u>	<u>323,214</u>	---	<u>5,189,767</u>
Total capital assets being depreciated, net	<u>4,942,834</u>	<u>(103,443)</u>	---	<u>4,839,391</u>
Business type activities capital assets, net	\$ 5,044,815	(103,443)	96,231	4,845,141
	=====	=====	=====	=====

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 \$32,793.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

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

Governmental activities:	
Public safety	\$ 10,525
Public works, which includes the depreciation of general infrastructure assets	95,984
Culture and recreation	4,977
General government	<u>385</u>
Total depreciation expense – governmental activities	\$ 111,871 =====
Business type activities:	
Water	\$ 55,689
Sewer	70,793
Electric	188,029
Gas	<u>8,703</u>
Total depreciation expense – business type activities	\$ 323,214 =====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 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	\$ 415,000	---	45,000	370,000	45,000
Water improvements	140,000	---	45,000	95,000	45,000
Net OPEB liability	<u>---</u>	<u>2,600</u>	<u>---</u>	<u>2,600</u>	<u>---</u>
Total	<u>\$ 555,000</u>	<u>2,600</u>	<u>90,000</u>	<u>467,600</u>	<u>90,000</u>
	=====	=====	=====	=====	=====

	<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	\$ 1,310,000	---	75,000	1,235,000	80,000
Sewer	384,000	---	36,000	348,000	37,000
Net OPEB liability	<u>---</u>	<u>7,804</u>	<u>---</u>	<u>7,804</u>	<u>---</u>
Total	<u>\$ 1,694,000</u>	<u>7,804</u>	<u>111,000</u>	<u>1,590,804</u>	<u>117,000</u>
	=====	=====	=====	=====	=====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

General obligation bonds/notes

Two issues of unmatured general obligation bonds/notes, totaling \$465,000, are outstanding at June 30, 2010. General obligation bonds/notes bear interest at rates ranging from 3.95% to 5.10% per annum 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, 2010 are as follows:

Governmental 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, 2009</u>
General obligation bonds/notes:						
Drainage improvements	Sep 15, 2006	3.95%-4.30%	June 30, 2017	45,000-60,000	\$ 550,000	\$ 370,000
Corporate purpose	April 1, 2002	4.80%-5.10%	June 30, 2012	40,000-50,000	\$ 400,000	<u>95,000</u>
Total governmental activities						\$ 465,000 =====

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>
2011	\$ 90,000	20,245	110,245
2012	100,000	16,173	116,173
2013	50,000	11,573	61,573
2014	55,000	9,510	64,510
2015	55,000	7,228	62,228
2016-2017	<u>115,000</u>	<u>7,498</u>	<u>122,498</u>
Total	\$ 465,000	72,227	537,227
	=====	=====	=====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

Revenue bonds/notes

Two issues of unmatured revenue bonds/notes, totaling \$1,583,000, are outstanding at June 30, 2010. These bonds/notes bear interest at rates of 2.50% to 4.70% per annum 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 City has pledged future electric customer revenues, net of specified operating expenses, to repay \$1,650,000 in electric revenue notes issued in February 2004. Proceeds from the notes provided financing for the construction of improvements to the electric distribution system. The notes are payable solely from electric customer net revenues and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$1,612,195. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$127,695 and \$364,449, respectively.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$699,000 in sewer revenue notes issued in December, 2008. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net revenues and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$392,070. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$46,980 and \$98,956, respectively.

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 electric and sewer sinking accounts for the purpose of making the bond/note principal and interest payments when due.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

- (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, 2010, the City was in compliance with the revenue bond/ note provisions.

Details of revenue notes payable at June 30, 2010 are as follows:

Business type activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2007
Revenue bonds/notes:						
Electric revenue	Feb. 1, 2004	2.50%-4.70%	June 1, 2022	70,000-135,000	\$ 1,650,000	\$ 1,235,000
Sewer revenue CW9516R and CW9136R	Dec. 1, 1998	3.00%	Dec. 1, 2017	35,000-50,000	699,000	<u>348,000</u>
Total business type activities						\$ 1,583,000 =====

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

Year Ending June 30,	Revenue		
	Principal	Interest	Total
2011	117,000	60,330	177,330
2012	119,000	56,670	175,670
2013	126,000	52,830	178,830
2014	132,000	48,610	180,610
2015	140,000	43,975	183,975
2016-2020	689,000	140,410	829,410
2021-2022	<u>260,000</u>	<u>18,440</u>	<u>278,440</u>
Total	\$ 1,583,000 =====	421,265 =====	2,004,265 =====

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2010

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 6,500
	Local Option Sales Tax	10,000
	Enterprise:	
	Electric	30,449
	Gas	23,949
Debt Service	Special Revenue:	
	TIF	52,305
	Local Option Sales Tax	30,000
Internal Service: Self insurance	Enterprise:	
	Water	300
	Sewer	300
	Electric	1,671
	Gas	1,402
	Special Revenue:	
	Trust and Agency	1,335
Enterprise: Water	Special Revenue:	
	Local Option Sales Tax	50,000
	Enterprise:	
Gas	<u>50,000</u>	
Total		\$ 258,211 =====

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, 2010

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise	Enterprise	
Gas	Water	\$ 68,330
	Special Revenue	
	TIF	<u>259,000</u>
Total		\$ 327,330
		=====

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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$20,284, \$19,399, and \$18,470 respectively, equal to the required contributions for each year.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

(8) Other Postemployment Benefits (OPEB)

The City of West Bend implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 8 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 10,404
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---
Annual OPEB cost	10,404
Contributions made	---
Increase in net OPEB obligation	10,404
Net OPEB obligation beginning of year	---
Net OPEB obligation end of year	\$ <u>10,404</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated using the alternative measurement method by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 10,404	0 %	\$ 10,404

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$34,521, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$34,521. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$274,500 and the ratio of the UAAL to covered payroll was 12.5%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the City's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement was assumed to begin halfway between each employee's earliest retirement eligibility date and age 65. The turnover rate was assumed to be as follows: age 25 has a 6.8% turnover probability, age 35 has a 3.2% turnover probability and age 45 has a 1.6% turnover probability.

Spousal coverage was based on actual data and husbands are assumed to be three years older than wives. Retirees pay for 100% of the premium and contributions are assumed to increase according to health care trend rates. All employees are assumed to elect the plan they are currently enrolled in at retirement.

Projected claim costs of the medical plan are \$587 per month for retirees less than age 65 and \$229 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) 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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2010

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.

(10) Commitments

The City has also committed to a couple of improvement projects. The total cost is estimated at around \$500,000.

(11) Restatement

Beginning fund balance for the special revenue TIF fund was restated to retroactively report an interfund loan payable to the enterprise gas utility fund acquired prior to July 1, 2009, as follows.

	<u>Fund balance</u>
Special revenue TIF fund:	
Balance June 30, 2009, as previously reported	\$ 1,234
Decrease for due to other funds	<u>(250,000)</u>
Balance July 1, 2009, as restated	\$ <u>(248,766)</u>

(12) Deficit Balance

At June 30, 2010, there was a deficit fund balance as follows:

Special Revenue, TIF Fund	\$ 249,506
---------------------------	------------

This deficit balance is the result of project costs in excess of available funds. This deficit will be eliminated upon collection of tax increment financing revenues.

(13) Subsequent Events

The City has evaluated subsequent events through November 1, 2010, the date the financial statements were available to be issued.

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, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 226,213	-	226,213
Tax increment financing	239,570	-	239,570
Other city tax	103,804	-	103,804
Licenses and permits	2,167	-	2,167
Use of money and property	13,249	39,308	52,557
Intergovernmental	303,177	-	303,177
Charges for service	17,822	2,442,935	2,460,757
Miscellaneous	33,410	550	33,960
Total receipts	<u>939,412</u>	<u>2,482,793</u>	<u>3,422,205</u>
Disbursements:			
Public safety	82,048	-	82,048
Public works	227,717	-	227,717
Culture and recreation	175,690	-	175,690
Community and economic development	247,535	-	247,535
General government	35,680	-	35,680
Debt service	114,950	-	114,950
Business type activities	-	2,021,699	2,021,699
Total disbursements	<u>883,620</u>	<u>2,021,699</u>	<u>2,905,319</u>
Excess (deficiency) of receipts over (under) disbursements	55,792	461,094	516,886
Other financing sources (uses), net	<u>12,063</u>	<u>4,010</u>	<u>16,073</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	67,855	465,104	532,959
Balances beginning of year	<u>567,440</u>	<u>2,491,999</u>	<u>3,059,439</u>
Balances end of year	<u>\$ 635,295</u>	<u>2,957,103</u>	<u>3,592,398</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>
226,803	226,803	(590)
250,000	250,000	(10,430)
113,330	113,330	(9,526)
2,700	2,700	(533)
16,000	16,000	36,557
247,850	383,850	(80,673)
2,591,275	2,591,275	(130,518)
34,717	32,717	1,243
<u>3,482,675</u>	<u>3,616,675</u>	<u>(194,470)</u>
103,200	106,100	24,052
171,000	678,500	450,783
195,140	199,140	23,450
185,055	251,705	4,170
39,645	39,645	3,965
114,950	114,950	-
<u>3,844,250</u>	<u>4,019,250</u>	<u>1,997,551</u>
<u>4,653,240</u>	<u>5,409,290</u>	<u>2,503,971</u>
(1,170,565)	(1,792,615)	2,309,501
<u>-</u>	<u>315,250</u>	<u>(299,177)</u>
(1,170,565)	(1,477,365)	2,010,324
<u>6,079,466</u>	<u>6,079,466</u>	<u>(3,020,027)</u>
<u>4,908,901</u>	<u>4,602,101</u>	<u>(1,009,703)</u>

City of West Bend, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds			Proprietary Funds		
				Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 939,412	3,730	943,142	2,482,793	10,988	2,493,781
Expenditures/expenses	<u>(883,620)</u>	<u>61,289</u>	<u>(822,331)</u>	<u>(2,021,699)</u>	<u>(113,393)</u>	<u>(2,135,092)</u>
Net	55,792	65,019	120,811	461,094	(102,405)	358,689
Other financing sources, net	12,063	(9,000)	3,063	4,010	(12,081)	(8,071)
Beginning fund balances/ net assets	<u>567,440</u>	<u>(301,834)</u>	<u>265,606</u>	<u>2,491,999</u>	<u>4,332,490</u>	<u>6,824,489</u>
Ending fund balances/net assets	<u>\$ 635,295</u>	<u>(245,815)</u>	<u>389,480</u>	<u>2,957,103</u>	<u>4,218,004</u>	<u>7,175,107</u>

See accompanying independent auditors report.

City of West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

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 nine major classes of disbursements known as functions, not by fund. These nine 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 the 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, three budget amendments increased budgeted receipts by \$134,000, budgeted disbursements by \$756,050, and other financing sources by \$315,250. These budget amendments are reflected in the final budgeted amounts.

City of West Bend, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended <u>June 30,</u>	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b - a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b - a) / c)</u>
2010	July 1, 2009	-	\$ 34,521	\$ 34,521	0%	\$286,994	12.03%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

City of West Bend, Iowa

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2010

	Special Revenue			
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel/ Motel Tax
Assets				
Cash	\$ 89,029	22,174	96,474	17,587
Receivables:				
Property tax:				
Delinquent	-	298	-	-
Succeeding year, including tax increment financing	-	18,044	-	-
Accrued interest	-	3	18	-
Due from other governments	4,618	-	2,738	1,945
Total assets	\$ 93,647	40,519	99,230	19,532
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	-	-	-
Deferred revenue:				
Succeeding year property tax	-	18,044	-	-
Total liabilities	-	18,044	-	-
Fund equity:				
Fund balances:				
Unreserved reported in:				
Special revenue funds	93,647	22,475	99,230	19,532
Debt service fund	-	-	-	-
Total fund equity	93,647	22,475	99,230	19,532
Total liabilities and fund balances	\$ 93,647	40,519	99,230	19,532

See accompanying independent auditor's report.

Schedule 1

<u>Debt</u> <u>Service</u>	<u>Total</u>
402	225,666
287	585
30,815	48,859
-	21
<u>-</u>	<u>9,301</u>
<u>31,504</u>	<u>284,432</u>
-	-
<u>30,815</u>	<u>48,859</u>
<u>30,815</u>	<u>48,859</u>
-	234,884
<u>689</u>	<u>689</u>
<u>689</u>	<u>235,573</u>
<u>31,504</u>	<u>284,432</u>

City of West Bend, Iowa

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

Year ended June 30, 2010

	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	\$ -	29,671	-	-
Other city tax	-	45	57,103	10,677
Use of money and property	-	74	692	-
Intergovernmental	78,338	-	-	-
Total revenues	<u>78,338</u>	<u>29,790</u>	<u>57,795</u>	<u>10,677</u>
Expenditures:				
Operating:				
Public safety:				
Police	-	13,294	-	-
Public works:				
Roadway maintenance	48,919	-	-	-
Culture and recreation:				
Library	-	12,576	-	-
Parks	-	73	-	-
Ice skating	-	365	-	-
Swimming pool	-	1,373	-	-
Other	-	-	-	6,000
	-	14,387	-	6,000
Community and economic development:				
Economic development	-	-	-	-
General government:				
Mayor/council	-	108	-	-
	-	108	-	-
Debt service	-	-	-	-
Total expenditures	<u>48,919</u>	<u>27,789</u>	<u>-</u>	<u>6,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,419</u>	<u>2,001</u>	<u>57,795</u>	<u>4,677</u>

Schedule 2

<u>Debt Service</u>	<u>Total</u>
32,655	62,326
35	67,860
-	766
-	78,338
<u>32,690</u>	<u>209,290</u>
<u>-</u>	<u>13,294</u>
<u>-</u>	<u>48,919</u>
-	12,576
-	73
-	365
-	1,373
-	6,000
<u>-</u>	<u>20,387</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>108</u>
<u>-</u>	<u>108</u>
<u>114,950</u>	<u>114,950</u>
<u>114,950</u>	<u>197,658</u>
<u>(82,260)</u>	<u>11,632</u>

(continued)

City of West Bend, Iowa

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

Year ended June 30, 2010

	Special Revenue			
	<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	-	(1,335)	(90,000)	(6,500)
Total other financing sources (uses)	-	(1,335)	(90,000)	(6,500)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	29,419	666	(32,205)	(1,823)
Fund balances beginning of year	<u>64,228</u>	<u>21,809</u>	<u>131,435</u>	<u>21,355</u>
Fund balances end of year	<u>\$ 93,647</u>	<u>22,475</u>	<u>99,230</u>	<u>19,532</u>

See accompanying independent auditor's report.

Schedule 2

<u>Debt Service</u>	<u>Total</u>
82,305	82,305
<u>-</u>	<u>(97,835)</u>
<u>82,305</u>	<u>(15,530)</u>
45	(3,898)
<u>644</u>	<u>239,471</u>
<u><u>689</u></u>	<u><u>235,573</u></u>

Combining Statement of Net Assets

Nonmajor Proprietary Funds

June 30, 2010

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Assets			
Current assets:			
Cash	\$ 6,598	28,780	35,378
Accounts receivable	-	16,317	16,317
Interest receivable	-	3	3
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>6,598</u>	<u>45,100</u>	<u>51,698</u>
Liabilities			
Current liabilities:			
Accounts payable	-	9,046	9,046
Consumer deposits	6,598	-	6,598
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>6,598</u>	<u>9,046</u>	<u>15,644</u>
Net assets			
Unrestricted	-	36,054	36,054
	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>\$ -</u>	<u>36,054</u>	<u>36,054</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, 2010

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Operating revenues:			
Charges for service	\$ -	127,904	127,904
Total operating revenues	<u>-</u>	<u>127,904</u>	<u>127,904</u>
Operating expenses:			
Business type activities:			
Contractual services	-	126,563	126,563
Other supplies and expenses	-	107	107
Total operating expenses	<u>-</u>	<u>126,670</u>	<u>126,670</u>
Operating income (loss)	-	1,234	1,234
Non-operating revenues (expenses):			
Interest and investment revenue	-	112	112
Total non-operating revenue (expenses)	<u>-</u>	<u>112</u>	<u>112</u>
Change in net assets	-	1,346	1,346
Net assets beginning of year	-	34,708	34,708
Net assets end of year	<u>\$ -</u>	<u>36,054</u>	<u>36,054</u>

See accompanying independent auditor's report.

City of West Bend, Iowa

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

For the Last Seven Years

	Modified Accrual Basis		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:			
Property tax	\$ 227,178	222,728	200,680
Tax increment financing revenue	240,529	229,553	154,555
Other city tax	101,127	105,935	99,455
Licenses and permits	2,167	2,967	2,855
Use of money and property	13,114	15,589	21,571
Intergovernmental	307,794	174,204	195,474
Charges for service	17,823	16,224	13,658
Miscellaneous	<u>33,410</u>	<u>33,456</u>	<u>20,319</u>
 Total	 <u>\$ 943,142</u>	 <u>800,656</u>	 <u>708,567</u>
 Expenditures:			
Operating:			
Public safety	\$ 82,921	189,618	73,716
Public works	162,591	508,678	177,446
Culture and recreation	179,573	164,467	126,017
Community and economic development	247,509	205,688	157,325
General government	34,787	35,159	34,072
Debt service	<u>114,950</u>	<u>113,647</u>	<u>112,047</u>
 Total	 <u>\$ 822,331</u>	 <u>1,217,257</u>	 <u>680,623</u>

See accompanying independent auditor's report.

Schedule 5

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
210,299	209,722	201,365	193,519
158,828	146,977	134,041	94,079
104,198	56,917	62,266	56,931
3,099	3,230	3,115	3,283
18,998	13,292	7,584	5,899
124,653	210,543	152,098	238,550
12,393	11,903	9,943	8,478
<u>33,591</u>	<u>49,462</u>	<u>30,831</u>	<u>21,455</u>
<u>666,059</u>	<u>702,046</u>	<u>601,243</u>	<u>622,194</u>
96,037	68,924	76,435	91,467
641,513	109,412	238,622	178,388
135,020	123,805	145,456	131,270
163,820	169,720	102,183	175,995
37,661	45,570	37,267	30,803
<u>119,130</u>	<u>142,227</u>	<u>168,150</u>	<u>87,203</u>
<u>1,193,181</u>	<u>659,658</u>	<u>768,113</u>	<u>695,126</u>

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Water Utility
 Years ended June 30, 2010 and 2009

Schedule 6

	<u>6-30-10</u>	<u>6-30-09</u>
Operating revenues:		
Metered sales	\$ 96,501	94,806
Miscellaneous	6,876	6,702
Total operating revenue	<u>103,377</u>	<u>101,508</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	14,167	13,678
Payroll taxes and benefits	5,883	5,022
Utilities	9,631	11,380
Salt and supplies	19,360	20,394
Building and equipment maintenance	11,354	11,413
Insurance	2,330	2,585
Miscellaneous	1,978	3,817
	<u>64,703</u>	<u>68,289</u>
Depreciation:		
Water tower	8,918	8,918
Treatment plant	46,270	39,279
Equipment	501	608
	<u>55,689</u>	<u>48,805</u>
Total operating expenses	<u>120,392</u>	<u>117,094</u>
Operating income (loss)	<u>(17,015)</u>	<u>(15,586)</u>
Non-operating revenues (expenses):		
Interest income	236	442
Interest expense	(1,927)	(2,323)
Total non-operating revenues (expenses)	<u>(1,691)</u>	<u>(1,881)</u>
Net income (loss) before operating transfer	(18,706)	(17,467)
Interfund transfer	99,700	64,633
Net income (loss)	<u>\$ 80,994</u>	<u>47,166</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Sewer Utility
 Years ended June 30, 2010 and 2009

Schedule 7

	<u>6-30-10</u>	<u>6-30-09</u>
Operating revenues:		
Sewer rental charges	\$ 136,052	135,241
Miscellaneous	40	1,697
Total operating revenue	<u>136,092</u>	<u>136,938</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	14,168	13,678
Payroll taxes and benefits	5,883	5,022
Utilities	1,682	1,666
Maintenance and repair	13,455	10,714
Insurance	993	1,354
Professional fees	-	1,000
Supplies	507	740
Amortized	413	413
Miscellaneous	422	708
	<u>37,523</u>	<u>35,295</u>
Depreciation:		
Furniture and fixtures	1,071	1,071
Vehicles	2,000	2,000
Sewer plant	67,722	66,379
	<u>70,793</u>	<u>69,450</u>
Total operating expenses	<u>108,316</u>	<u>104,745</u>
Operating income	<u>27,776</u>	<u>32,193</u>
Non-operating revenues (expenses):		
Interest income	4,200	5,787
Interest expense	(10,890)	(11,957)
Total non-operating revenues (expenses)	<u>(6,690)</u>	<u>(6,170)</u>
Net income before operating transfer	21,086	26,023
Interfund transfer	(300)	(367)
Net income	<u>\$ 20,786</u>	<u>25,656</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Electric Utility
 Years ended June 30, 2010 and 2009

Schedule 8

	<u>6-30-10</u>	<u>6-30-09</u>
Operating revenues:		
Metered sales	\$ 1,124,054	1,090,956
Miscellaneous	35,638	27,789
Total operating revenue	<u>1,159,692</u>	<u>1,118,745</u>
Operating expenses:		
Production:		
Salaries	34,792	33,854
Payroll taxes and benefits	8,793	7,284
Utilities	11,904	16,053
Electric energy purchased	427,767	388,142
Maintenance - Plant, building, engines	16,600	20,604
Walter Scott power plant	45,597	62,173
Sutherland power plant	-	22,319
	<u>545,453</u>	<u>550,429</u>
Distribution system maintenance:		
Salaries	19,745	20,581
Payroll taxes and benefits	6,600	6,316
Lines, poles, towers, conductors, meters, etc.	56,912	13,091
Telephone and radio	711	905
Motor vehicles	10,600	4,443
Supplies	3,042	1,564
Maintenance - Building	1,091	248
	<u>98,701</u>	<u>47,148</u>
Collection and accounting:		
Salaries	36,175	35,239
Payroll taxes and benefits	12,469	11,797
Office supplies	3,192	3,353
Programming	2,492	2,958
	<u>54,328</u>	<u>53,347</u>
Administrative:		
Salaries	20,821	24,502
Payroll taxes and benefits	10,609	6,425
Professional fees	7,389	7,843

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Electric Utility
 Years ended June 30, 2010 and 2009

Schedule 8

	<u>6-30-10</u>	<u>6-30-09</u>
Operating expenses (continued):		
Administrative (continued):		
Insurance	28,081	26,481
Telephone and radio	1,677	1,748
Miscellaneous taxes	1,313	1,911
Property taxes	11,124	10,232
Amortization	608	608
Miscellaneous	<u>15,139</u>	<u>16,078</u>
	<u>96,761</u>	<u>95,828</u>
Depreciation:		
Buildings	334	350
Generating plant and equipment	92,334	92,334
Distribution system	77,136	76,231
Furniture and fixtures	7,657	7,583
Vehicles	<u>10,568</u>	<u>20,941</u>
	<u>188,029</u>	<u>197,439</u>
Total operating expenses	<u>983,272</u>	<u>944,191</u>
Operating income	176,420	174,554
Non-operating revenues (expenses):		
Interest income	10,175	15,848
Interest expense	<u>(52,508)</u>	<u>(54,459)</u>
Total non-operating revenues (expenses)	<u>(42,333)</u>	<u>(38,611)</u>
Net income before operating transfers	134,087	135,943
Interfund transfer	<u>(32,120)</u>	<u>(35,946)</u>
Net income	<u>\$ 101,967</u>	<u>99,997</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Gas Utility
Years ended June 30, 2010 and 2009

Schedule 9

	<u>6-30-10</u>	<u>6-30-09</u>
Operating revenues:		
Metered sales	\$ 930,451	916,150
Miscellaneous	<u>2,056</u>	<u>3,096</u>
Total operating revenue	<u>932,507</u>	<u>919,246</u>
 Operating expenses:		
Production:		
Cost of gas purchased	<u>544,099</u>	<u>583,790</u>
 Distribution system maintenance:		
Salaries	25,346	25,842
Payroll taxes and benefits	8,065	7,714
Utilities	3,419	3,709
Meters, mains, valves	26,713	6,996
Equipment and building repairs	1,277	3,224
Miscellaneous	<u>1,269</u>	<u>1,993</u>
	<u>66,089</u>	<u>49,478</u>
 Collection and accounting:		
Salaries	36,175	35,238
Payroll taxes and benefits	12,469	11,796
Office supplies	3,150	3,292
Professional fees	<u>2,492</u>	<u>2,958</u>
	<u>54,286</u>	<u>53,284</u>
 Administrative:		
Salaries	24,571	24,095
Payroll taxes and benefits	10,164	6,932
Insurance	4,751	4,464
Professional fees	5,125	2,833
Telephone	1,677	1,922
Meetings and travel	2,329	619
Amortization and gas allocating costs	-	300
Dues	2,404	1,265
Miscellaneous	<u>6,919</u>	<u>5,460</u>
	<u>57,940</u>	<u>47,890</u>

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2010 and 2009

Schedule 9

	<u>6-30-10</u>	<u>6-30-09</u>
Operating expenses (continued):		
Depreciation:		
Buildings	208	208
Distribution systems	3,064	3,064
Furniture and fixtures	1,252	1,132
Vehicles	4,179	3,715
	<u>8,703</u>	<u>8,119</u>
Total operating expenses	<u>731,117</u>	<u>742,561</u>
Operating income	201,390	176,685
Non-operating revenues (expenses):		
Interest income	19,486	30,350
Total non-operating revenues (expenses)	<u>19,486</u>	<u>30,350</u>
Net income before operating transfers	220,876	207,035
Interfund transfer	<u>(75,351)</u>	<u>(326,039)</u>
Net income	<u>\$ 145,525</u>	<u>(119,004)</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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 1, 2010. 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of West Bend's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings as item I-A-10 and I-B-10 that we consider to be significant deficiencies in internal control over financial reporting.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of non-compliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings as item II-I-10.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 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

November 1, 2010

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-10 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.

I-B-10 Preparation of Financial Statements, Including Disclosures to Financial Statements - Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of West Bend does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit, requires us to communicate this matter with those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Outsourcing of these services is not unusual in an organization of your size.

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2010

Recommendation – We realize that obtaining the expertise to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Certified Budget – Disbursements during the year ended June 30, 2010, did not exceed the amounts budgeted.
- II-B-10 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-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-10 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	\$ 1,743

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

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2010

- II-E-10 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-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-10 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-10 Revenue Bonds/Notes – The provisions of the resolutions for the issuance of the City’s revenue bonds/notes were complied with.
- II-I-10 Deficit Balances – The Special Revenue TIF fund had a deficit balance of \$249,506 at June 30, 2010.

Recommendation – City officials should review this fund balance.

Response – We have reviewed this and we feel that there will be adequate collections from tax increment financing revenues to repay the outstanding debt.

Conclusion – Response accepted.