



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

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NEWS RELEASE

FOR RELEASE

November 30, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of West Branch, Iowa.

The City's receipts totaled \$3,293,155 for the year ended June 30, 2011, a 3.5% increase over the prior year. The receipts included \$1,035,262 in property tax, \$963,646 from tax increment financing, \$690,700 from charges for service, \$423,567 from operating grants, contributions and restricted interest, \$11,212 from unrestricted interest on investments, \$128,745 from loan proceeds and \$40,023 from other general receipts.

Disbursements for the year totaled \$3,261,986, a 5.4% increase over the prior year, and included \$971,569 for community and economic development, \$553,784 for public safety and \$427,260 for public works. Also, disbursements for business type activities totaled \$474,326.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1120-0142-B00F.pdf>.

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**CITY OF WEST BRANCH**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
  
**JUNE 30, 2011**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-29
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		32-33
Notes to Required Supplementary Information – Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	36-37
Schedule of Indebtedness	2	38-39
Bond Maturities	3	41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	42-43
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 <u>Government Auditing Standards</u>		45-46
Schedule of Findings		47-49
Staff		50

**City of West Branch**  
**Officials**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Don Kessler	Mayor	Jan 2014
Jim Oaks	Mayor Pro tem	Jan 2014
David Johnson	Council Member	Jan 2012
Robert Sexton	Council Member	Jan 2012
Mark Worrell	Council Member	Jan 2012
Dan O'Neil	Council Member	Jan 2014
Matt Muckler	Administrator/City Clerk	Indefinite
Dawn Brandt	Deputy Clerk	Indefinite
Kevin D. Olson	Attorney	Indefinite

**City of West Branch**



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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 Branch, Iowa, as of and for the year ended June 30, 2011, 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 Branch'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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2011 on our consideration of the City of West Branch'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 and budgetary comparison information on pages 7 through 12 and 32 through 34 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 Branch'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 eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 10, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of West Branch provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 3%, or \$80,806, from fiscal year 2010 to fiscal year 2011. Tax increment financing increased to pay the various rebate agreements. In addition, the City had loan proceeds for the fire station expansion.
- Disbursements of the City's governmental activities increased 9%, or \$236,863, in fiscal year 2011 over fiscal year 2010. The increase was due to tax increment financing rebates increasing for fiscal year 2011.
- The City's total cash basis net assets increased 2%, or \$31,169, from June 30, 2010 to June 30, 2011. Of this amount, the cash basis net assets of the governmental activities decreased \$70,560 and the cash basis net assets of the business type activities increased \$101,729.

### USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. 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 various functions.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

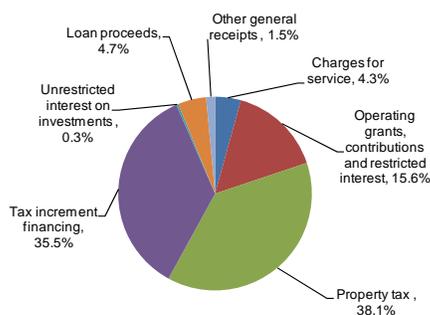
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

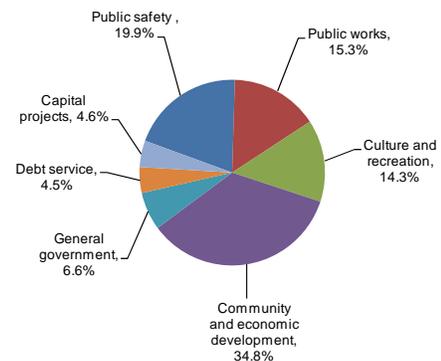
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$70,560 from a year ago, from \$1,460,024 to \$1,389,464. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 116,579	\$ 121,067
Operating grants, contributions and restricted interest	423,567	637,167
General receipts:		
Property tax	1,035,262	1,053,773
Tax increment financing	963,646	656,110
Unrestricted interest on investments	9,278	13,000
Loan proceeds	128,745	74,000
Sale of capital assets	-	40,000
Other general receipts	40,023	41,177
Total receipts	<u>2,717,100</u>	<u>2,636,294</u>
Disbursements:		
Public safety	553,784	761,338
Public works	427,260	425,684
Culture and recreation	397,686	357,108
Community and economic development	971,569	682,578
General government	183,459	198,461
Debt service	125,157	125,628
Capital projects	128,745	-
Total disbursements	<u>2,787,660</u>	<u>2,550,797</u>
Change in cash basis net assets	(70,560)	85,497
Cash basis net assets beginning of year	1,460,024	1,374,527
Cash basis net assets end of year	<u>\$ 1,389,464</u>	<u>\$ 1,460,024</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 3%, or \$80,806. The total cost of all programs and services increased \$236,863, or 9%.

The cost of all governmental activities this year was \$2,787,660 compared to \$2,550,797 last year. However, as shown in the Statement of Activities and Net Assets on pages 14 and 15, the amount taxpayers ultimately financed for these activities was only \$2,247,514 because some of the cost was paid by those who directly benefited from the programs (\$116,579) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$423,567). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2011. The City paid for the remaining "public benefit" portion of governmental activities with \$1,998,908 in levied taxes, \$128,745 of loan proceeds and \$49,301 of other receipts, such as interest and miscellaneous receipts.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 338,071	\$ 335,728
Sewer	236,050	204,753
General receipts:		
Unrestricted interest on investments	1,934	4,181
Total receipts	<u>576,055</u>	<u>544,662</u>
Disbursements:		
Water	269,834	339,284
Sewer	204,492	203,907
Total disbursements	<u>474,326</u>	<u>543,191</u>
Change in cash basis net assets	101,729	1,471
Cash basis net assets beginning of year	518,367	516,896
Cash basis net assets end of year	<u>\$ 620,096</u>	<u>\$ 518,367</u>

Total business type activities receipts for the fiscal year were \$576,055 compared to \$544,662 last year. The cash balance increased \$101,729 over the prior year. Total disbursements for the fiscal year decreased 13% to \$474,326. The increase in receipts was due to an increase in the sewer rates for fiscal year 2011. The decrease in disbursements was due to water projects completed during fiscal year 2010.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of West Branch completed the year, its governmental funds reported a combined cash balance of \$1,389,464, a decrease of \$70,560 from last year's total of \$1,460,024. The following are reasons for changes in cash balances of the major funds from the prior year.

- The General Fund cash balance decreased \$15,094, or 2%, from the prior year to \$617,138. Receipts decreased approximately \$178,000, due primarily to a police grant received during fiscal year 2010. Disbursements decreased approximately \$234,000 due to the purchase of a fire truck tanker in fiscal year 2010.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$20,277 to \$202,173. The cash balance decrease was due to an increase in disbursements in fiscal year 2011 related to more street projects.

- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$297 to \$20,379. Receipts of \$834,661 were rebated to Proctor and Gamble and Acciona Windpower North America during fiscal year 2011.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$69,407 to \$370,961. Water Fund disbursements decreased approximately \$69,000 due, in part, to fewer water main replacement and improvement projects during fiscal year 2011.
- The Sewer Fund cash balance increased 15%, or \$32,322, to \$249,135. The increase was due to an increase in sewer rates for fiscal year 2011.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 16, 2011 to provide for the expansion to the fire station.

The City’s receipts were \$2,610 less than budgeted. This was primarily due to the City budgeting for more TIF than was received.

Total disbursements were \$226,875 less than the amended budget. This was primarily due to less disbursements for culture and recreation, community and economic development and business type activities than anticipated.

**DEBT ADMINISTRATION**

At June 30, 2011, the City had \$2,622,133 in bonds and other long-term debt outstanding, compared to \$2,856,768 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation bonds	\$ 1,373,000	\$ 1,451,000
Loan agreements	493,133	610,768
Revenue bonds	756,000	795,000
Total	\$ 2,622,133	\$ 2,856,768

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,866,133 is below its constitutional debt limit of approximately \$8.5 million.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

Numerous issues were taken into account when adopting the budget for fiscal year 2012. The property tax levy remained unchanged at \$12.04/thousand dollars of taxable value. It is important to note the City did not increase the property tax levy in the fiscal year 2012 budget and this levy rate is lower than fiscal year 2009, when the property tax levy was \$12.14/thousand dollars of taxable value.

In November of 2010, voters approved a 1% local option sales tax for the funding of the Fire Station Expansion Project, estimated at \$450,000. In January of 2011, West Branch was notified the City had been selected to receive a Safe Routes to School Grant of \$250,000.

As a result of these two major projects to be funded through local option sales tax and grant funds, amounts available for appropriation in the operating budget are \$3,793,998, an increase of approximately 21% over the final fiscal year 2011 budget. The amounts available for appropriation, excluding these two projects, is \$2,983,998, or a decrease of 4.7%.

Budgeted disbursements, including the Safe Routes to School and Fire Station Expansion Projects, are expected to increase \$472,367, or approximately 15%. The budgeted disbursements, excluding these two projects, is \$3,108,729, or a decrease of 2.3%. If these estimates are realized, the City's budgeted cash balance is expected to increase slightly by the close of fiscal year 2012.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Matt Muckler, City Clerk, 110 N. Poplar St., P.O. Box 218, City of West Branch, Iowa 52358-0218.

## **Basic Financial Statements**

City of West Branch

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 553,784	32,670	178,914
Public works	427,260	52,703	219,316
Culture and recreation	397,686	27,759	25,337
Community and economic development	971,569	-	-
General government	183,459	3,447	-
Debt service	125,157	-	-
Capital projects	128,745	-	-
Total governmental activities	<u>2,787,660</u>	<u>116,579</u>	<u>423,567</u>
Business type activities:			
Water	269,834	338,071	-
Sewer	204,492	236,050	-
Total business type activities	<u>474,326</u>	<u>574,121</u>	<u>-</u>
Total	<u>\$ 3,261,986</u>	<u>690,700</u>	<u>423,567</u>

**General Receipts:**

Property and other city tax levied for:  
    General purposes  
    Debt service  
Tax increment financing  
Unrestricted interest on investments  
Loan proceeds  
Miscellaneous  
Total general receipts  
Change in cash basis net assets  
Cash basis net assets beginning of year  
Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
    Nonexpendable:  
        Cemetery perpetual care  
        Krouth/Enlow Principal  
    Expendable:  
        Streets  
        Urban renewal purposes  
        Debt service  
        Other purposes  
Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(342,200)	-	(342,200)
(155,241)	-	(155,241)
(344,590)	-	(344,590)
(971,569)	-	(971,569)
(180,012)	-	(180,012)
(125,157)	-	(125,157)
(128,745)	-	(128,745)
<u>(2,247,514)</u>	<u>-</u>	<u>(2,247,514)</u>
-	68,237	68,237
-	31,558	31,558
-	99,795	99,795
<u>(2,247,514)</u>	<u>99,795</u>	<u>(2,147,719)</u>
907,969	-	907,969
127,293	-	127,293
963,646	-	963,646
9,278	1,934	11,212
128,745	-	128,745
40,023	-	40,023
<u>2,176,954</u>	<u>1,934</u>	<u>2,178,888</u>
(70,560)	101,729	31,169
<u>1,460,024</u>	<u>518,367</u>	<u>1,978,391</u>
<u>\$ 1,389,464</u>	<u>620,096</u>	<u>2,009,560</u>
\$ 98,156	-	98,156
101,422	-	101,422
202,173	-	202,173
20,379	-	20,379
35,957	1,854	37,811
426,431	-	426,431
504,946	618,242	1,123,188
<u>\$ 1,389,464</u>	<u>620,096</u>	<u>2,009,560</u>

City of West Branch

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2011

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 712,474	-	-
Tax increment financing	-	-	963,646
Licenses and permits	51,699	-	-
Use of money and property	11,883	199	-
Intergovernmental	129,023	202,688	-
Charges for service	68,253	-	-
Miscellaneous	80,547	-	-
Total receipts	1,053,879	202,887	963,646
Disbursements:			
Operating:			
Public safety	422,833	-	-
Public works	152,375	223,164	-
Culture and recreation	330,038	-	-
Community and economic development	8,220	-	963,349
General government	166,049	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,079,515	223,164	963,349
Excess (deficiency) of receipts over (under) disbursements	(25,636)	(20,277)	297
Other financing sources (uses):			
Loan proceeds	-	-	-
Operating transfers in	10,542	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	10,542	-	-
Net change in cash balances	(15,094)	(20,277)	297
Cash balances beginning of year, as restated	632,232	222,450	20,082
Cash balances end of year	\$ 617,138	202,173	20,379
<b>Cash Basis Fund Balances</b>			
Nonspendable:			
Cemetery perpetual care	\$ -	-	-
Krouth/Enlow Principal	-	-	-
Restricted for:			
Urban renewal purposes	-	-	20,379
Debt service	-	-	-
Streets	-	202,173	-
Other purposes	-	-	-
Assigned for:			
Police department	8,204	-	-
West Branch fire department	44,052	-	-
Parks	5,389	-	-
Civic center	31,711	-	-
Library	22,836	-	-
Unassigned	504,946	-	-
Total cash basis fund balances	\$ 617,138	202,173	20,379

See notes to financial statements.

Nonmajor	Total
322,788	1,035,262
-	963,646
-	51,699
2,256	14,338
26,236	357,947
-	68,253
16,663	97,210
<u>367,943</u>	<u>2,588,355</u>
130,951	553,784
51,721	427,260
67,648	397,686
-	971,569
17,410	183,459
125,157	125,157
128,745	128,745
<u>521,632</u>	<u>2,787,660</u>
<u>(153,689)</u>	<u>(199,305)</u>
128,745	128,745
-	10,542
<u>(10,542)</u>	<u>(10,542)</u>
<u>118,203</u>	<u>128,745</u>
<u>(35,486)</u>	<u>(70,560)</u>
585,260	1,460,024
<u>549,774</u>	<u>1,389,464</u>
98,156	98,156
101,422	101,422
-	20,379
35,957	35,957
-	202,173
314,239	314,239
-	8,204
-	44,052
-	5,389
-	31,711
-	22,836
-	504,946
<u>549,774</u>	<u>1,389,464</u>

**City of West Branch**

City of West Branch

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise		Total
	Water	Sewer	
Operating receipts:			
Charges for service	\$ 337,742	236,050	573,792
Miscellaneous	329	-	329
Total operating receipts	338,071	236,050	574,121
Operating disbursements:			
Business type activities	204,996	204,492	409,488
Excess of operating receipts over operating disbursements	133,075	31,558	164,633
Non-operating receipts (disbursements):			
Interest on investments	1,170	764	1,934
Debt service	(64,838)	-	(64,838)
Total non-operating receipts (disbursements)	(63,668)	764	(62,904)
Net change in cash balances	69,407	32,322	101,729
Cash balances beginning of year	301,554	216,813	518,367
Cash balances end of year	\$ 370,961	249,135	620,096
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 1,854	-	1,854
Unrestricted	369,107	249,135	618,242
Total cash basis fund balances	\$ 370,961	249,135	620,096

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

The City of West Branch is a political subdivision of the State of Iowa located in Cedar and Johnson Counties. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of West Branch has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of West Branch (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Blended Component Units**

The following component units are entities which are legally separate from the City, but are so intertwined with the City they, in substance, are the same as the City. They are reported as part of the City and blended into the appropriate fund.

The Friends of the West Branch Public Library has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the general operation of the West Branch Public Library. In accordance with criteria set by the Governmental Accounting Standards Board, the Friends of the West Branch Public Library meets the definition of a component unit which should be blended. The financial activity for the account held by the component unit has been blended as a Special Revenue Fund of the City.

The West Branch Firefighters has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Fire Department. In accordance with criteria set by the Governmental Accounting Standards Board, the West Branch Firefighters meets the definition of a component unit which should be blended. The financial activity for the account held by the component unit has been blended as a Special Revenue Fund of the City.

#### 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: Cedar County Assessor's Conference Board, Cedar County Joint E911 Service Board and Cedar County Emergency Management Agency.

#### B. Basis of Presentation

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

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable 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 preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis 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 receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The City's deposits in banks and credit unions at June 30, 2011 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.

**(3) Bonds Payable**

Annual debt service requirements to maturity for general obligation bonds and water revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 80,000	41,190	41,000	22,680	121,000	63,870
2013	83,000	38,590	42,000	21,450	125,000	60,040
2014	85,000	36,300	43,000	20,190	128,000	56,490
2015	88,000	33,750	45,000	18,900	133,000	52,650
2016	90,000	31,110	46,000	17,550	136,000	48,660
2017-2021	495,000	113,250	249,000	66,360	744,000	179,610
2022-2026	452,000	34,410	290,000	26,580	742,000	60,990
Total	\$ 1,373,000	328,600	756,000	193,710	2,129,000	522,310

On June 2, 2005, the City entered into agreements with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$1,740,000 of general obligation water improvement bonds and \$860,000 of water revenue bonds, both with an interest rate of 3.0% per annum. The bonds were issued pursuant to the provisions of Chapters 384 and 384.24A of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system.

On April 5, 2007, the City entered into an agreement with the Iowa Finance Authority and Wells Fargo Bank, N.A. for the issuance of \$83,000 of water revenue bonds, with an interest rate of 3.0% per annum. The bonds were issued pursuant to the provisions of Chapters 384 and 384.24A of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$943,000 of water revenue bonds issued in June 2005 and April 2007. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 50% of net receipts. The total principal and interest remaining to be paid on the two bond issues is \$949,710. For the current year, total principal and interest paid on the water revenue bonds was \$62,850 and total customer net receipts were \$133,075.

The resolutions providing for the issuance of the water revenue bonds issued under loan agreements between the City, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Water Fund and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Water Fund for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the Water Fund after making the required transfers shall be placed in a water revenue surplus account. As long as the sinking account has the full amount required to be deposited, the balance in the surplus account may be made available to the City as the City Council may direct.

**(4) Loan Agreements**

On February 14, 2007, the City entered into a loan agreement with a local bank, not to exceed \$174,400. These funds were used to finance the construction of a Public Works Department maintenance building. The loan bears 5.35% per annum interest and matures on July 10, 2013. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	5.35%	\$ 26,966	3,984	30,950
2013	5.35	28,409	2,541	30,950
2014	5.35	19,142	1,021	20,163
Total		\$ 74,517	7,546	82,063

On June 15, 2007, the City entered into a loan agreement with a local bank, not to exceed \$250,000. These funds were used to finance a RISE road project. The loan, with 4.30% per annum interest, matured on November 15, 2010. The final payment of \$92,209, representing \$88,445 of principal and \$3,764 of interest, was paid November 15, 2010.

On September 18, 2007, the City entered into a loan agreement with a local bank, not to exceed \$100,000. These funds were used to pay costs associated with the 2007 RISE road project. The loan, with 4.30% per annum interest, matured on November 15, 2010. The final payment of \$36,490, representing \$35,000 of principal and \$1,490 of interest, was paid November 15, 2010.

On February 1, 2008, the City entered into a loan agreement with a local bank, not to exceed \$150,000. These funds were used to finance the renovation and furnishing of the new city offices. The loan bears 4.20% per annum interest and matures on July 1, 2018. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	4.20%	\$ 13,982	4,698	18,680
2013	4.20	14,570	4,110	18,680
2014	4.20	15,181	3,499	18,680
2015	4.20	15,819	2,861	18,680
2016	4.20	16,483	2,197	18,680
2017 - 2019	4.20	35,818	2,319	38,137
Total		\$ 111,853	19,684	131,537

On August 5, 2008, the City entered into a loan agreement with a local bank, not to exceed \$197,500. These funds were used to provide funds for a lawsuit settlement. The loan bears 4.50% per annum interest and matures on November 1, 2023. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	4.50%	\$ 10,380	8,013	18,393
2013	4.50	10,827	7,566	18,393
2014	4.50	11,334	7,059	18,393
2015	4.50	11,845	6,548	18,393
2016	4.50	12,378	6,015	18,393
2017-2021	4.50	70,736	21,229	91,965
2022-2024	4.50	50,518	4,617	55,135
Total		\$ 178,018	61,047	239,065

On April 20, 2010, the City entered into a loan agreement with a local bank for \$74,000 to purchase a fire truck. The loan, with 1.87% per annum interest, matured on April 15, 2011. The final payment of \$75,380, representing \$74,000 of principal and \$1,380 of interest, was paid April 11, 2011.

On May 26, 2011, the City entered into a loan agreement with a local bank for an amount not to exceed \$376,700 for the expansion of the West Branch fire station. The loan bears 3.25% per annum interest. At June 30, 2011, the City had drawn down \$128,745. Since the City has not fully drawn the loan funds, a final repayment schedule has not yet been adopted for the debt.

**(5) Lease-Purchase Agreements**

The City has entered into agreements to lease two fuel storage tanks and two copiers under capital leases. The following is a schedule of the future minimum lease payments, including interest of 11.7% and 13.9% per annum for the copiers and 0% for the fuel tanks, and the present value of net minimum lease payments under the agreements in effect at June 30, 2011:

Year ending June 30,	Fuel Tanks		Copiers	Amount
2012	\$ 1,069		3,708	4,777
2013	1,069		3,708	4,777
2014	1,069		3,531	4,600
2015	-		1,750	1,750
Total minimum lease payments	3,207		12,697	15,904
Less amount representing interest	-		2,484	2,484
Present value of net minimum lease payments	\$ 3,207		10,213	13,420

During the year ended June 30, 2011, the City made principal payments of \$2,320 and interest payments of \$708 on these capital leases.

**(6) 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 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$46,080, \$43,305 and \$35,077, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 12 active and no retired members in the plan. Retired 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 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$418 for single coverage and \$1,045 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2011, the City contributed \$65,814 and plan members eligible for benefits contributed \$13,264 to the plan.

**(8) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

Employees eligible for retirement will receive either one-half or one-quarter of their accumulated sick leave balance, dependent on the date they were hired. Two employees were eligible for sick leave benefits at June 30, 2011.

The City’s approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, was \$31,000. This liability has been computed based on rates of pay in effect at June 30, 2011.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Home Town Days	\$ 800
	Krouth/Enlow	9,009
	Capital Projects	274
	Permanent:	
	Krouth/Enlow Principal	459
Total		<u>\$ 10,542</u>

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

**(10) Risk Management**

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

**(11) Tax Increment Development Agreements**

On February 3, 2003, the City entered into a tax increment development agreement with Procter and Gamble Hair Care, L.L.C. (P & G). Under the terms of the agreement, P & G will undertake phase I of an urban renewal project consisting of certain improvements to be completed in the West Branch Urban Renewal Area. The City agreed to rebate to P & G incremental property tax actually paid for the first five years and a percentage of

incremental property tax paid for years six through ten with respect to these improvements and received under Iowa Code Section 403.19 for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements are first paid.

On April 17, 2007, the City entered into a second tax increment development agreement with P & G. Under the terms of the agreement, as amended on August 2, 2007, P & G will undertake phase II and III of an urban renewal project consisting of certain improvements to be completed in the West Branch Urban Renewal Area. The City agreed to rebate to P & G incremental property tax actually paid for the first two years and a percentage of incremental property tax paid for years three through ten with respect to these improvements and received under Iowa Code Section 403.19 for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements are first paid.

In addition, the City agreed to allow a schedule of exemption from property tax under Chapter 15.332 of the Code of Iowa from the time the improvements are first assessed, respectively, on the two agreements, as follows:

**Proctor & Gamble Hair Care L.L.C., Phase I  
2003**

Year 1 through 5	No exemption
Year 6	75% exemption
Year 7	60% exemption
Year 8	45% exemption
Year 9	30% exemption
Year 10	15% exemption

**Proctor & Gamble Hair Care L.L.C., Phase II  
2007**

Year 1	No exemption
Year 2	No exemption
Year 3	95% exemption
Year 4	85% exemption
Year 5	75% exemption
Year 6	65% exemption
Year 7	55% exemption
Year 8	45% exemption
Year 9	35% exemption
Year 10	25% exemption

**Proctor & Gamble Hair Care L.L.C., Phase III  
2007**

Year 1	No exemption
Year 2	No exemption
Year 3	95% exemption
Year 4	85% exemption
Year 5	75% exemption
Year 6	65% exemption
Year 7	55% exemption
Year 8	45% exemption
Year 9	35% exemption
Year 10	25% exemption

On June 17, 2007 the City entered into a tax increment development agreement with Acciona Windpower North America, LLC. (Acciona). Under the terms of the agreement, Acciona will cause minimum improvements to be completed within a five-year period beginning May 2007. The agreement outlines the minimum improvements, which include a capital investment of \$11 million and the creation of approximately 110 new, full-time jobs. The City agreed to rebate to Acciona, for a period of eight years, a percentage of the incremental property tax actually paid with respect to the minimum improvements received under Iowa Code Section 403.19. The rebate percentages for Acciona, as set forth in the agreement, are as follows:

**Acciona Windpower North America  
2007**

Year 1	60%
Year 2	65%
Year 3	70%
Year 4	75%
Year 5	80%
Year 6	85%
Year 7	90%
Year 8	92%

During the year ended June 30, 2011, rebates of \$647,762 and \$186,899 were made to P & G and Acciona, respectively. The total rebates to P & G made through the first five years of the agreements total \$3,588,017. Rebates to Acciona total \$299,566.

**(12) Construction Contract**

The City entered into a construction contract to build an expansion on the West Branch fire station. Unpaid contract commitments as of June 30, 2011 totaled \$250,661, which will be paid as work on the project progresses. The project was funded with a loan from a local bank, which will be repaid with future local option sales tax.

**(13) Subsequent Events**

In August 2011, the City entered into a construction contract totaling \$181,000 for a water tower repair and coating project.

**(14) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Special Revenue, Emergency Levy
Balances June 30, 2010, as previously reported	\$ 593,868	38,364
Change in fund type classification per implementation of GASB Statement No. 54	38,364	(38,364)
Balance July 1, 2010, as restated	\$ 632,232	-

**City of West Branch**

**Required Supplementary Information**

City of West Branch  
 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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,035,262	-	-
Tax increment financing	963,646	-	-
Other city tax	-	-	-
Licenses and permits	51,699	-	-
Use of money and property	14,338	1,934	851
Intergovernmental	357,947	-	26,236
Charges for service	68,253	573,792	-
Miscellaneous	97,210	329	15,163
Total receipts	2,588,355	576,055	42,250
<b>Disbursements:</b>			
Public safety	553,784	-	67,075
Public works	427,260	-	-
Culture and recreation	397,686	-	15,395
Community and economic development	971,569	-	-
General government	183,459	-	-
Debt service	125,157	-	-
Capital projects	128,745	-	-
Business type activities	-	474,326	-
Total disbursements	2,787,660	474,326	82,470
Excess (deficiency) of receipts over (under) disbursements	(199,305)	101,729	(40,220)
Other financing sources, net	128,745	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(70,560)	101,729	(40,220)
Balances beginning of year	1,460,024	518,367	108,647
Balances end of year	\$ 1,389,464	620,096	68,427

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,035,262	1,005,803	1,005,803	29,459
963,646	1,008,828	1,008,828	(45,182)
-	40,217	40,217	(40,217)
51,699	18,875	18,875	32,824
15,421	15,500	15,500	(79)
331,711	357,448	359,047	(27,336)
642,045	628,300	628,300	13,745
82,376	46,700	48,200	34,176
<u>3,122,160</u>	<u>3,121,671</u>	<u>3,124,770</u>	<u>(2,610)</u>
486,709	472,260	499,336	12,627
427,260	459,168	459,168	31,908
382,291	392,100	447,558	65,267
971,569	1,017,478	1,017,478	45,909
183,459	185,340	190,340	6,881
125,157	126,000	126,000	843
128,745	-	150,274	21,529
474,326	516,237	516,237	41,911
<u>3,179,516</u>	<u>3,168,583</u>	<u>3,406,391</u>	<u>226,875</u>
(57,356)	(46,912)	(281,621)	224,265
<u>128,745</u>	<u>-</u>	<u>-</u>	<u>128,745</u>
71,389	(46,912)	(281,621)	353,010
<u>1,869,744</u>	<u>1,678,507</u>	<u>1,678,507</u>	<u>191,237</u>
<u>1,941,133</u>	<u>1,631,595</u>	<u>1,396,886</u>	<u>544,247</u>

City of West Branch

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds 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, one budget amendment increased budgeted disbursements by \$237,808. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

**Other Supplementary Information**

City of West Branch

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	Employee Benefits	Tort Liability	Economic Development	Friends of the Library	Special West Branch Firefighters
<b>Receipts:</b>					
Property tax	\$126,752	68,743	-	-	-
Use of money and property	-	-	-	830	21
Intergovernmental	-	-	-	990	25,246
Miscellaneous	-	-	-	2,554	12,609
Total receipts	126,752	68,743	-	4,374	37,876
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	39,086	24,790	-	-	67,075
Public works	29,546	22,175	-	-	-
Culture and recreation	43,039	5,995	-	15,395	-
General government	12,298	5,112	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	123,969	58,072	-	15,395	67,075
Excess (deficiency) of receipts over (under) disbursements	2,783	10,671	-	(11,021)	(29,199)
<b>Other financing sources (uses):</b>					
Loan proceeds	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in cash balances	2,783	10,671	-	(11,021)	(29,199)
Cash balances beginning of year, as restated	29,584	27,810	138,935	66,193	42,454
Cash balances end of year	\$ 32,367	38,481	138,935	55,172	13,255
<b>Cash Basis Fund Balances</b>					
<b>Nonspendable:</b>					
Cemetery perpetual care	\$ -	-	-	-	-
Krouth/Enlow Principal	-	-	-	-	-
<b>Restricted for:</b>					
Debt service	-	-	-	-	-
Other purposes	32,367	38,481	138,935	55,172	13,255
Total cash basis fund balances	\$ 32,367	38,481	138,935	55,172	13,255

See accompanying independent auditor's report.

Revenue		Permanent					Total
Home Town Days	Krouth/ Enlow	Debt Service	Capital Projects	Krouth/ Enlow Principal	Cemetery Perpetual Care		
-	-	127,293	-	-	-	322,788	
-	297	-	-	1,103	5	2,256	
-	-	-	-	-	-	26,236	
-	-	-	-	-	1,500	16,663	
-	297	127,293	-	1,103	1,505	367,943	
-	-	-	-	-	-	130,951	
-	-	-	-	-	-	51,721	
3,219	-	-	-	-	-	67,648	
-	-	-	-	-	-	17,410	
-	-	125,157	-	-	-	125,157	
-	-	-	128,745	-	-	128,745	
3,219	-	125,157	128,745	-	-	521,632	
(3,219)	297	2,136	(128,745)	1,103	1,505	(153,689)	
-	-	-	128,745	-	-	128,745	
(800)	(9,009)	-	(274)	(459)	-	(10,542)	
(800)	(9,009)	-	128,471	(459)	-	118,203	
(4,019)	(8,712)	2,136	(274)	644	1,505	(35,486)	
15,492	33,268	33,821	274	100,778	96,651	585,260	
11,473	24,556	35,957	-	101,422	98,156	549,774	
-	-	-	-	-	98,156	98,156	
-	-	-	-	101,422	-	101,422	
-	-	35,957	-	-	-	35,957	
11,473	24,556	-	-	-	-	314,239	
11,473	24,556	35,957	-	101,422	98,156	549,774	

City of West Branch  
Schedule of Indebtedness  
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water improvement	Jun 2, 2005	3.00%	\$ 1,740,000
Loan agreements:			
Maintenance building	Feb 14, 2007	5.35%	\$ 174,400
RISE road project	Jun 15, 2007	4.30	250,000
2007 RISE road project	Sep 18, 2007	4.30	100,000
City office	Feb 1, 2008	4.20	150,000
Lawsuit settlement	Aug 5, 2008	4.50	197,500
Fire truck	Apr 20, 2010	1.87	74,000
Fire station	May 26, 2011	3.25	376,700
Total			
Revenue bonds:			
Water	Jun 2, 2005	3.00%	\$ 860,000
Water	Apr 5, 2007	3.00	83,000
Total			
Lease-purchase agreements:			
Copier	Mar 6, 2009	11.70%	\$ 3,540
Fuel tanks	Aug 21, 2009	0.00	5,343
Copier	Dec 15, 2010	13.93	9,300
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,451,000	-	78,000	1,373,000	43,530
100,056	-	25,539	74,517	5,411
88,445	-	88,445	-	3,764
35,000	-	35,000	-	1,490
125,272	-	13,419	111,853	5,261
187,995	-	9,977	178,018	8,416
74,000	-	74,000	-	1,380
-	128,745	-	128,745	-
<b>\$ 610,768</b>	<b>128,745</b>	<b>246,380</b>	<b>493,133</b>	<b>25,722</b>
726,000	-	36,000	690,000	21,780
69,000	-	3,000	66,000	2,070
<b>\$ 795,000</b>	<b>-</b>	<b>39,000</b>	<b>756,000</b>	<b>23,850</b>
2,164	-	493	1,671	216
4,276	-	1,069	3,207	-
-	9,300	758	8,542	492
<b>\$ 6,440</b>	<b>9,300</b>	<b>2,320</b>	<b>13,420</b>	<b>708</b>

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**City of West Branch**

## City of West Branch

## Bond Maturities

June 30, 2011

Year Ending June 30,	General Obligation Bonds		Revenue Bonds					Total
	Water Improvement		Water		Water			
	Issued Jun 2, 2005		Issued Jun 2, 2005		Issued Apr 5, 2007			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2012	3.00%	\$ 80,000	3.00%	\$ 37,000	3.00%	\$ 4,000	41,000	
2013	3.00	83,000	3.00	38,000	3.00	4,000	42,000	
2014	3.00	85,000	3.00	39,000	3.00	4,000	43,000	
2015	3.00	88,000	3.00	41,000	3.00	4,000	45,000	
2016	3.00	90,000	3.00	42,000	3.00	4,000	46,000	
2017	3.00	93,000	3.00	43,000	3.00	4,000	47,000	
2018	3.00	96,000	3.00	44,000	3.00	4,000	48,000	
2019	3.00	99,000	3.00	46,000	3.00	4,000	50,000	
2020	3.00	102,000	3.00	47,000	3.00	4,000	51,000	
2021	3.00	105,000	3.00	48,000	3.00	5,000	53,000	
2022	3.00	108,000	3.00	50,000	3.00	5,000	55,000	
2023	3.00	111,000	3.00	51,000	3.00	5,000	56,000	
2024	3.00	115,000	3.00	53,000	3.00	5,000	58,000	
2025	3.00	118,000	3.00	55,000	3.00	5,000	60,000	
2026		-	3.00	56,000	3.00	5,000	61,000	
Total		<u>\$ 1,373,000</u>		<u>\$ 690,000</u>		<u>\$ 66,000</u>	<u>756,000</u>	

See accompanying independent auditor's report.

City of West Branch

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

For the Last Nine Years

	2011	2010	2009	2008
<b>Receipts:</b>				
Property tax	\$ 1,035,262	1,053,701	951,189	826,020
Tax increment financing	963,646	656,110	671,841	529,777
Other city tax	-	27,102	30,656	57,272
Licenses and permits	51,699	28,952	38,155	37,783
Use of money and property	14,338	18,138	22,468	56,450
Intergovernmental	357,947	543,714	601,917	3,468,113
Charges for service	68,253	81,074	62,696	54,345
Miscellaneous	97,210	113,503	142,451	441,900
<b>Total</b>	<b>\$ 2,588,355</b>	<b>2,522,294</b>	<b>2,521,373</b>	<b>5,471,660</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 553,784	761,338	568,777	450,250
Public works	427,260	425,684	598,898	1,189,970
Culture and recreation	397,686	357,108	343,912	266,101
Community and economic development	971,569	682,578	666,570	2,509,495
General government	183,459	198,461	354,240	183,185
Debt service	125,157	125,628	125,000	654,723
Capital projects	128,745	-	-	146,273
<b>Total</b>	<b>\$ 2,787,660</b>	<b>2,550,797</b>	<b>2,657,397</b>	<b>5,399,997</b>

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
829,292	638,204	597,246	574,476	525,954
530,449	600,430	534,506	181,065	186,835
24,446	94,710	132,729	164,757	155,630
152,068	22,731	19,569	34,348	56,078
57,214	36,688	13,843	13,089	42,428
315,187	297,628	294,124	307,252	770,726
51,555	48,531	56,434	45,332	47,244
180,807	241,825	301,381	96,091	60,327
<u>2,141,018</u>	<u>1,980,747</u>	<u>1,949,832</u>	<u>1,416,410</u>	<u>1,845,222</u>
450,128	761,810	340,295	438,184	316,924
947,954	311,379	348,924	342,145	402,599
268,101	216,177	199,374	224,135	198,601
9,790	10,215	12,271	10,800	461,375
193,989	157,507	162,454	165,493	276,432
655,999	699,851	851,535	291,393	174,975
133,368	-	-	-	183,801
<u>2,659,329</u>	<u>2,156,939</u>	<u>1,914,853</u>	<u>1,472,150</u>	<u>2,014,707</u>

**City of West Branch**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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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 Branch, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 10, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Branch'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 Branch's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Branch's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a 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 the City of West Branch'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 might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings as items (A) and (B), we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 Branch's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 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 Branch'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 Branch'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 Branch and other parties to whom the City of West Branch may report and 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 Branch 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.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 10, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. The City prepares monthly bank reconciliations and reconciliations of utility billings, collections and delinquent accounts. However, there is no evidence these reconciliations are reviewed by an independent person.

Recommendation – Monthly bank and utility reconciliations should be reviewed and approved by an independent person, and their review should be evidenced by signing or initialing the reconciliations and documenting the date of the review.

Response – The City Administrator will serve as the independent reviewer of the monthly bank and utility reconciliation statements. Each reconciliation will be initialed and dated to document this task has been completed.

Conclusion – Response accepted.

- (B) Disaster Recovery Plan – While the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically, the plan does not include identification of critical applications, an inventory of all hardware and components, an inventory of all essential software systems, a requirement supplies and relevant accounting manuals and other documentation be located offsite and a requirement to test the plan.

Recommendation – The City should review its current disaster recovery plan and include the above noted items in its written disaster recovery plan.

Response – Resolution 881, adopted on October 19, 2009, is the latest version of the City's disaster recovery plan. The City will review and update (in the current fiscal year) the plan and will include identification of critical applications, an inventory of all hardware and components, an inventory of all essential software systems, a requirement supplies and relevant accounting manuals and other documentation be located offsite and a requirement to test the plan.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of West Branch  
 Schedule of Findings  
 Year ended June 30, 2011

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mark Worrell, Council Member, Owner of Big Timber Excavations	Excavations	\$ 750

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – Except as noted, no transactions we believe should have been approved in the Council minutes but were not were noted.

The Council properly went into closed sessions per Chapter 21 of the Code of Iowa. However, the minutes did not include documentation a proper motion was made and a vote was taken to exit the closed sessions.

The City did not always publish minutes within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 and Chapter 372.13(6) of the Code of Iowa.

Response – The City will ensure a proper motion is made and a vote is taken to exit any closed meetings and will note this in the minutes. The City will also ensure minutes are published within fifteen days.

Conclusion – Response accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2011

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Tax Increment Financing (TIF) Indebtedness Certification - Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

For one of the economic development agreements, the City certified the total rebate amount. The agreement states the rebate payment shall be subject to annual appropriation. Until appropriated, the payments do not represent debt and, accordingly, should not have been certified as debt. Although the City has properly requested the current year appropriated amount on TIF Form 2 and has not received funds in excess of amounts to be rebated, the total debt certified to the County Auditor is overstated by \$1,862,586.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City’s TIF certifications and the amount of TIF debt to be decertified, if any.

Response – The City will consult with our independent financial advisor, Speer Financial, to determine the disposition of the City’s TIF certifications prior to the next TIF Debt Certification due date.

Conclusion – Response accepted.

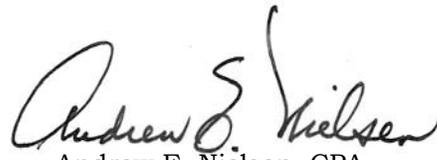
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City of West Branch

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Daniel L. Grady, Senior Auditor  
Samuel Wagner, Auditor Intern



Andrew E. Nielsen, CPA  
Deputy Auditor of State