

**City of West Burlington**

**Independent Auditor's Report  
Management's Discussion and Analysis  
Financial Statements and Supplementary Information  
Independent Auditor's Report on Internal Control and Compliance  
Schedule of Findings and Questioned Costs**

**June 30, 2011**

## C o n t e n t s

	<b>Page</b>
<b>Officials</b>	1
<b>Independent Auditor's Report</b>	2 - 3
<b>Management's Discussion and Analysis</b>	4 - 10
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements</b>	
Statement of Activities and Net Assets - Cash Basis	11
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds	12
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds	13
<b>Notes to Financial Statements</b>	14 - 22
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	23
Notes to Required Supplementary Information - Budgetary Reporting	24
<b>Other Supplementary Information:</b>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	25
Statement of Indebtedness	26
Bond and Note Maturities	27 - 28
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds Types	29
Schedule of Selected Employee Related Expenses	30
<b>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 <i>Government Auditing Standards</i></b>	31 - 32
<b>Schedule of Findings and Questioned Costs</b>	33 - 34

## City of West Burlington

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hans Trousil	Mayor	December, 2011
Rod Crowner	Council Member	December, 2011
Therese Lees	Council Member	December, 2011
Richard Raleigh	Council Member	December, 2011
Kara Steward	Council Member	December, 2013
Dan West	Council Member	December, 2013
Dan Gifford	City Administrator	Not Elected
Leslie Sattler	Finance Officer	Not Elected
Kelly Fry	City Clerk	Not Elected



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, Iowa (City), 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 accounting principles generally accepted in the United States of America.

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 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 October 14, 2011 on our consideration of the City'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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 10 and budgetary comparison information on pages 23 and 24 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'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 nine years ended June 30, 2010 (none of which are 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, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CPA Associates PC*

October 14, 2011

## **City of West Burlington Management's Discussion and Analysis**

The City of West Burlington (City) 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 85%, or \$3,986,072, from fiscal 2010 to fiscal 2011. Bond proceeds of \$3,465,000 were received in fiscal 2011. Tax increment financing collections increased approximately \$226,000, charges for services increased approximately \$157,000, and operating grants and contributions increased approximately \$340,000.
- Disbursements of the City's governmental activities increased 35%, or \$1,719,749, from fiscal 2010 to fiscal 2011. Public safety disbursements increased approximately \$1.11 million due to purchases of new fire department vehicles and equipment. Community and economic development disbursements increased by approximately \$503,000 and capital project disbursements increased by approximately \$132,000 in fiscal 2011.
- The City's total cash basis net assets increased 62%, or \$1,969,054, from June 30, 2010 to June 30, 2011. The increase is due to receiving bond proceeds in fiscal 2011 that are to be spent on capital projects in fiscal 2012.

### **USING THIS ANNUAL REPORT**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements 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 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 to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **City of West Burlington Management's Discussion and Analysis**

### **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 accounting principles generally accepted in the United States of America. 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 Statements*

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

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

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

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

#### *Fund Financial Statements*

The City has two kinds of funds:

- 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, Sales Tax and TIF, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Other Nonmajor Governmental 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 programs.

**City of West Burlington  
Management's Discussion and Analysis**

The required financial statement for governmental funds includes 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 the Enterprise Funds to provide information for water and sewer, considered to be major funds of the City.

The required financial statement for proprietary funds includes 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 increased from a year ago from \$2,258,580 to \$4,611,851. The analysis that follows focuses on the changes in cash balance for governmental activities.

	Year Ended June 30,	
Changes in Cash Basis Net Assets of Governmental Activities	<u>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for services	\$ 437,524	\$ 280,476
Operating grants, contributions and restricted interest	765,139	425,129
General receipts:		
Property tax	3,028,607	2,799,890
Local option sales tax	492,411	448,254
Use of money and property	86,253	82,954
Other general receipts	387,348	379,507
Bond proceeds	<u>3,465,000</u>	<u>260,000</u>
Total receipts	<u>8,662,282</u>	<u>4,676,210</u>
Disbursements:		
Public safety	2,292,531	1,179,756
Public works	629,415	622,353
Culture and recreation	255,802	221,293
Community and economic development	781,084	277,976
General government	424,320	437,693
Debt service	1,707,417	1,763,709
Capital projects	<u>601,248</u>	<u>469,288</u>
Total disbursements	<u>6,691,817</u>	<u>4,972,068</u>
Change in cash basis net assets before transfers	1,970,465	(295,858)
Transfers net	<u>382,806</u>	<u>50,636</u>
Change in cash basis net assets	2,353,271	(245,222)
Cash basis net assets beginning of year	<u>2,258,580</u>	<u>2,503,802</u>
Cash basis net assets end of year	<u>\$ 4,611,851</u>	<u>\$ 2,258,580</u>

**City of West Burlington  
Management's Discussion and Analysis**

The City's total receipts for governmental activities increased by 85%, or \$3,986,072. This was mainly due to bond proceeds of \$3,465,000 for capital projects consisting of storm water and streets and the purchase of fire vehicles and equipment. The total cost of all programs and services increased by \$1,719,749 or 35%, with no new programs added this year.

The cost of all governmental activities this year was \$6,691,817 compared to \$4,972,068 last year. However, as shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was \$5,489,154 because some of the cost was paid by those who directly benefited from the programs by (\$437,524) or by other governments and organizations that subsidized certain programs with grants and contributions by (\$765,139). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in 2011 from \$705,605 to \$1,202,663.

	Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
Changes in Cash Basis Net Assets of Business Type Activities		
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 721,460	\$ 666,646
Sewer	467,097	418,724
Capital grants, contributions and restricted interest	-	24,055
General receipts:		
Unrestricted investment earnings	220	300
Bond proceeds	-	5,000
Miscellaneous receipts	<u>34,088</u>	<u>38,535</u>
Total receipts	<u>1,222,865</u>	<u>1,153,260</u>
Disbursements:		
Water	744,773	1,417,694
Sewer	<u>479,503</u>	<u>467,618</u>
Total disbursements	<u>1,224,276</u>	<u>1,885,312</u>
Change in cash basis net assets before transfer	(1,411)	(732,052)
Transfers, net	<u>(382,806)</u>	<u>(50,636)</u>
Change in cash basis net assets	(384,217)	(782,688)
Cash basis net assets beginning of year	<u>931,899</u>	<u>1,714,587</u>
Cash basis net assets end of year	<u>\$ 547,682</u>	<u>\$ 931,899</u>

Total business type activities receipts for the fiscal year were \$1,222,865 compared to \$1,153,260 last year. The cash balance decreased by \$384,217. Total disbursements for the fiscal year decreased by 35%. The City spent \$705,045 less in capital expenditures in fiscal 2011. This was due to a major water project that was completed in fiscal 2010.

**City of West Burlington  
Management's Discussion and Analysis**

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City completed the year, its governmental funds reported a combined fund balance of \$4,611,851, an increase of \$2,353,271 from last year's total of \$2,258,580. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$834,461, a decrease of \$14,716 from the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$6,221 to \$6,423 during the fiscal year. State road tax funds are distributed based upon population. The City received additional funds for a transfer of jurisdiction agreement, which allowed the City to do more street projects.
- The Special Revenue, Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. This year the City transferred 51% of these Local Option Sales Tax revenues to the general fund. Debt Service is required to receive 25% of Local Option Sales Tax Revenues and an internal loan for a TIF project. The remainder is used to pay for capital projects and ambulance service, and to make airport authority payments. At the end of the fiscal year, the fund balance was \$281,060.
- The Special Revenue, Tax Increment Financing collections (TIF) decreased by \$125,931 to \$660,341 during the fiscal year.
- The Capital Projects Fund cash balance increased by \$2,396,749 to \$2,723,151 during the fiscal year. This increase is primarily due to the unspent remainder of the GO bonds issued in fiscal 2011 for storm sewer and street projects that are continuing and expected to be completed in fiscal 2012.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased \$404,819 to \$178,118, due to internal loans for TIF projects. The loans will be repaid over a five year period.
- The Sewer Fund cash balance decreased \$4,261 to \$144,852 during the fiscal year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget. The amendment was approved on May 18, 2011 and resulted in an increase in revenues of \$4,019,375 and an increase in disbursements of \$3,563,705. Revenue increases included intergovernmental, licenses and permits, other city taxes, and use of money and property. Expenditure increases included capital projects, business type/enterprise, public safety, community and economic development, and debt service.

**City of West Burlington  
Management's Discussion and Analysis**

**DEBT ADMINISTRATION**

At June 30, 2011, the City had \$7,001,000 in bonds and other long-term debt, compared to \$5,068,000 last year, as shown below.

	June 30,	
Outstanding Debt at Year End	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 6,509,000	\$ 4,545,000
Water revenue loan	327,000	328,000
Urban renewal tax increment financing	<u>165,000</u>	<u>195,000</u>
Total	<u>\$ 7,001,000</u>	<u>\$ 5,068,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's general obligation debt of \$6,509,000 and tax increment financing rebate agreements of \$1,617,078 brings the City's combined outstanding GO and TIF debt to \$8,126,078, which is below its constitutional debt limit of approximately \$10.50 million.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2012 fiscal year budget, tax rates, and fees that will be charged for various City activities. Those factors included the economy, employment rates, operating expenses, capital projects, and increases in service and state mandates. Unemployment in the County now stands at 7.5% versus 7.3% a year ago. These indicators were taken into account when adopting the budget for fiscal 2012.

In fiscal 2012, receipts are projected to decrease by 3% or approximately \$(163,000) and disbursements are projected to decrease by 2% or approximately (\$147,000). The projected decrease in receipts does not include revenues from FEMA grants, loan proceeds, or transfers. The expected decrease in revenues will be due to a decrease in licensing and permits and TIF revenue. The City also plans to increase the rates for garbage, recycling, water and sewer.

For fiscal 2012, the City's tax rate was lowered from \$9.86 to \$9.80 per \$1,000 of taxable assessed valuation. The City is requesting a reduction in the taxable assessed value in the TIF area by \$15 million for fiscal 2012, which is expected to result in a reduction of approximately \$550,000 in TIF revenues. The City has determined that the loss in TIF revenues will not affect the City's ability to pay debt obligations for fiscal 2012.

The general fund expenditures are projected to exceed revenues by \$280,000, not including internal loan repayments of \$325,000. The City has enough reserves to cover the projected deficit. Water expenditures are projected to exceed revenues by \$45,323, not including an internal loan payment of \$75,312. The sewer fund is projected to have a deficit of \$6,500. Both of these utility funds have enough reserves to cover the deficits.

The local option sales tax balance will decrease by \$85,000 in fiscal 2012 primarily due to purchasing fire department equipment. The City will be continuing two capital projects that the City has bonded for in fiscal 2012. Those include the Mall Street Project and the Agency Broadway Storm Sewer Project.

**City of West Burlington  
Management's Discussion and Analysis**

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**City of West Burlington**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the Year Ended June 30, 2011**

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 2,292,531	\$ 119,256	\$ 422,324	\$ -	\$ (1,750,951)	\$ -	\$ (1,750,951)
Public works	629,415	163,301	314,066	-	(152,048)	-	(152,048)
Culture and recreation	255,802	121,726	27,221	-	(106,855)	-	(106,855)
Community and economic development	781,084	33,236	-	-	(747,848)	-	(747,848)
General government	424,320	5	1,528	-	(422,787)	-	(422,787)
Debt service	1,707,417	-	-	-	(1,707,417)	-	(1,707,417)
Capital projects	601,248	-	-	-	(601,248)	-	(601,248)
Total governmental activities	<u>6,691,817</u>	<u>437,524</u>	<u>765,139</u>	<u>-</u>	<u>(5,489,154)</u>	<u>-</u>	<u>(5,489,154)</u>
Business type activities:							
Water	744,773	721,460	-	-	-	(23,313)	(23,313)
Sewer	479,503	467,097	-	-	-	(12,406)	(12,406)
Total business type activities	<u>1,224,276</u>	<u>1,188,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,719)</u>	<u>(35,719)</u>
Total	<u>\$ 7,916,093</u>	<u>\$ 1,626,081</u>	<u>\$ 765,139</u>	<u>\$ -</u>	<u>(5,489,154)</u>	<u>(35,719)</u>	<u>(5,524,873)</u>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					831,281	-	831,281
Debt service					2,263	-	2,263
Tax increment financing					2,195,063	-	2,195,063
Local option sales tax					492,411	-	492,411
Unrestricted investment earnings					86,253	220	86,473
Bond proceeds					3,465,000	-	3,465,000
Transfers					382,806	(382,806)	-
Miscellaneous					387,348	34,088	421,436
Total general receipts and transfers					<u>7,842,425</u>	<u>(348,498)</u>	<u>7,493,927</u>
Change in cash basis net assets					2,353,271	(384,217)	1,969,054
Cash basis net assets beginning of year					<u>2,258,580</u>	<u>931,899</u>	<u>3,190,479</u>
Cash basis net assets end of year					<u>\$ 4,611,851</u>	<u>\$ 547,682</u>	<u>\$ 5,159,533</u>
<b>Cash Basis Net Assets</b>							
Restricted:							
Expendable					\$ 3,497,597	\$ 226,848	\$ 3,724,445
Unrestricted					<u>1,114,254</u>	<u>320,834</u>	<u>1,435,088</u>
<b>Total cash basis net assets</b>					<u>\$ 4,611,851</u>	<u>\$ 547,682</u>	<u>\$ 5,159,533</u>

See notes to financial statements.

**City of West Burlington**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2011**

	Special Revenue						Other Nonmajor Governmental	Total
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects		
Receipts:								
Property tax	\$ 826,761	\$ -	\$ -	\$ -	\$ 2,263	\$ -	\$ -	\$ 829,024
Tax increment financing collections	-	-	-	2,195,063	-	-	-	2,195,063
Other taxes	4,520	-	492,411	-	-	-	190,658	687,589
Use of money and property	83,112	-	-	-	2,490	651	-	86,253
License and permits	124,884	-	-	-	-	-	-	124,884
Intergovernmental	404,994	296,017	-	-	-	16,799	-	717,810
Charges for services	234,543	-	-	-	-	-	-	234,543
Miscellaneous	225,657	-	6,550	-	-	-	89,909	322,116
Total receipts	<u>1,904,471</u>	<u>296,017</u>	<u>498,961</u>	<u>2,195,063</u>	<u>4,753</u>	<u>17,450</u>	<u>280,567</u>	<u>5,197,282</u>
Disbursements:								
Operating:								
Public safety	1,560,422	-	15,247	-	-	716,862	-	2,292,531
Public works	299,592	281,520	33,303	-	-	15,000	-	629,415
Culture and recreation	223,583	-	649	-	-	-	31,570	255,802
Community and economic development	35,075	-	-	746,009	-	-	-	781,084
General government	222,581	-	2,426	-	-	-	199,313	424,320
Debt service	-	-	-	41,428	1,665,989	-	-	1,707,417
Capital projects	-	-	11,778	264,323	-	325,147	-	601,248
Total disbursements	<u>2,341,253</u>	<u>281,520</u>	<u>63,403</u>	<u>1,051,760</u>	<u>1,665,989</u>	<u>1,057,009</u>	<u>230,883</u>	<u>6,691,817</u>
Excess (deficiency) of receipts over disbursements	(436,782)	14,497	435,558	1,143,303	(1,661,236)	(1,039,559)	49,684	(1,494,535)
Other financing sources (uses):								
Bond proceeds	-	-	-	-	-	3,465,000	-	3,465,000
Operating transfers in (out)	<u>422,066</u>	<u>(8,276)</u>	<u>(355,525)</u>	<u>(1,269,234)</u>	<u>1,665,926</u>	<u>(28,692)</u>	<u>(43,459)</u>	<u>382,806</u>
Net change in cash balances	(14,716)	6,221	80,033	(125,931)	4,690	2,396,749	6,225	2,353,271
Cash balances beginning of year	<u>849,177</u>	<u>202</u>	<u>201,027</u>	<u>786,272</u>	<u>4,125</u>	<u>326,402</u>	<u>91,375</u>	<u>2,258,580</u>
Cash balances end of year	<u>\$ 834,461</u>	<u>\$ 6,423</u>	<u>\$ 281,060</u>	<u>\$ 660,341</u>	<u>\$ 8,815</u>	<u>\$ 2,723,151</u>	<u>\$ 97,600</u>	<u>\$ 4,611,851</u>
<b>Cash Basis Fund Balances</b>								
Restricted	\$ -	\$ 6,423	\$ 281,060	\$ 660,341	\$ 8,815	\$ 7,509	\$ 20,229	\$ 984,377
Committed	-	-	-	-	-	2,509,887	3,333	2,513,220
Assigned	-	-	-	-	-	205,755	74,038	279,793
Unassigned	<u>834,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>834,461</u>
<b>Total cash basis fund balances</b>	<u>\$ 834,461</u>	<u>\$ 6,423</u>	<u>\$ 281,060</u>	<u>\$ 660,341</u>	<u>\$ 8,815</u>	<u>\$ 2,723,151</u>	<u>\$ 97,600</u>	<u>\$ 4,611,851</u>

See notes to financial statements.

**City of West Burlington**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the Year Ended June 30, 2011**

	Enterprise Funds					Total
	Water Service	Water Equipment Reserve	Sewer Service	Sewer Equipment Reserve	Nonmajor Enterprise Fund	
<b>Operating Receipts:</b>						
Charges for services	\$ 721,460	\$ -	\$ 466,558	\$ -	\$ -	\$ 1,188,018
Special assessments	-	-	539	-	-	539
Total operating receipts	<u>721,460</u>	<u>-</u>	<u>467,097</u>	<u>-</u>	<u>-</u>	<u>1,188,557</u>
<b>Operating Disbursements:</b>						
Business type activities	709,425	-	479,503	-	3,859	1,192,787
Total operating disbursements	<u>709,425</u>	<u>-</u>	<u>479,503</u>	<u>-</u>	<u>3,859</u>	<u>1,192,787</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>12,035</u>	<u>-</u>	<u>(12,406)</u>	<u>-</u>	<u>(3,859)</u>	<u>(4,230)</u>
<b>Non-operating receipts (disbursements):</b>						
Interest on investments	220	-	-	-	-	220
Miscellaneous	12,022	-	11,111	-	14,814	37,947
Debt proceeds	-	-	-	-	-	-
Debt service	(11,660)	-	-	-	-	(11,660)
Capital projects	(23,688)	-	-	-	-	(23,688)
Net non-operating receipts (disbursements)	<u>(23,106)</u>	<u>-</u>	<u>11,111</u>	<u>-</u>	<u>14,814</u>	<u>2,819</u>
Excess of receipts over disbursements	(11,071)	-	(1,295)	-	10,955	(1,411)
Operating transfers in (out)	<u>(393,748)</u>	<u>3,908</u>	<u>(2,966)</u>	<u>10,000</u>	<u>-</u>	<u>(382,806)</u>
Net change in cash balances	(404,819)	3,908	(4,261)	10,000	10,955	(384,217)
Cash balances beginning of year	<u>582,937</u>	<u>120,025</u>	<u>149,113</u>	<u>-</u>	<u>79,824</u>	<u>931,899</u>
Cash balances end of year	<u>\$ 178,118</u>	<u>\$ 123,933</u>	<u>\$ 144,852</u>	<u>\$ 10,000</u>	<u>\$ 90,779</u>	<u>\$ 547,682</u>
<b>Cash Basis Fund Balances</b>						
Restricted for other purposes	\$ -	\$ 123,933	\$ -	\$ 10,000	\$ 90,779	\$ 224,712
Restricted for debt service	2,136	-	-	-	-	2,136
Unrestricted	<u>175,982</u>	<u>-</u>	<u>144,852</u>	<u>-</u>	<u>-</u>	<u>320,834</u>
<b>Total cash basis fund balances</b>	<u>\$ 178,118</u>	<u>\$ 123,933</u>	<u>\$ 144,852</u>	<u>\$ 10,000</u>	<u>\$ 90,779</u>	<u>\$ 547,682</u>

See notes to financial statements.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

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

Reporting Entity

For financial reporting purposes, the City 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 (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the GASB criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission and Southeast Iowa Regional Airport Authority Board. See Note 13 for details. Both of these organizations have financial statements available at City Hall.

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

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

*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. This category includes the restricted and committed governmental cash basis fund balances.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies** (continued)

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified. This includes assigned and unassigned governmental cash basis fund balances.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies** (continued)

The Water Equipment Reserve account consists of funds set aside for major equipment purchases for the water department.

The Sewer Equipment Reserve account consists of funds set aside for major equipment purchases for the sewer department.

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 accounting principles generally accepted in the United States of America.

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 paid, 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.

Governmental Cash Basis Fund Balances

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

Restricted - Amounts restricted to specific purposes when constraints place 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.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, such as a resolution or ordinance approved by the Council.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies** (continued)

Budgets and Budgetary Accounting

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

Subsequent Events

The City performed an evaluation of subsequent events through October 14, 2011, which is the date the financial statements were issued. There were no subsequent events that required disclosure or recognition in the financial statements as of June 30, 2011.

Recently Adopted Accounting Pronouncements

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The City adopted this statement on July 1, 2010.

**Note 2. Cash and Investments**

The City's deposits in banks 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 GASB No. 40.

**City of West Burlington  
Notes to Financial Statements**

**Note 3. Bonds and Notes Payable**

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

Year Ending June 30.	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Water Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,376,000	\$ 195,907	\$ 30,000	\$ 9,448	\$ 15,000	\$ 9,810	\$ 1,421,000	\$ 215,165
2013	1,362,000	144,530	30,000	7,843	16,000	9,360	1,408,000	161,733
2014	1,397,000	101,675	35,000	6,178	16,000	8,880	1,448,000	116,733
2015	773,000	56,610	35,000	4,165	16,000	8,400	824,000	69,175
2016	778,000	40,595	35,000	2,100	17,000	7,920	830,000	50,615
2017-2021	655,000	85,353	-	-	93,000	31,680	748,000	117,033
2022-2026	117,000	18,390	-	-	107,000	16,890	224,000	35,280
2027-2028	<u>51,000</u>	<u>2,310</u>	<u>-</u>	<u>-</u>	<u>47,000</u>	<u>2,130</u>	<u>98,000</u>	<u>4,440</u>
	<u>\$ 6,509,000</u>	<u>\$ 645,370</u>	<u>\$ 165,000</u>	<u>\$ 29,734</u>	<u>\$ 327,000</u>	<u>\$ 95,070</u>	<u>\$ 7,001,000</u>	<u>\$ 770,174</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Urban Renewal Tax Increment Financing Revenue Bond

The City issued an urban renewal tax increment financing (TIF) revenue bond for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bond is payable solely from the income and proceeds of the Special Revenue Fund, Urban Renewal Tax Increment Financing and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the Urban Tax Increment Financing shall be expended only for purposes that are consistent with the plans of the City's urban renewal area. The bond is not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bond is \$194,734, payable through June 2016. For the current year, principal and interest paid and total TIF receipts were \$40,978 and \$2,195,063, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bond. The bond was issued August 2008. Proceeds from the notes provided financing for the construction of several water system projects. The note is payable solely from water customer net receipts and is payable through 2028. The total principal and interest remaining to be paid on the notes is \$422,070. For the current year, principal and interest paid and total customer net receipts (disbursements) were \$10,840 and \$12,035, respectively.

The resolutions providing for the issuance of the water revenue bond included the following provisions:

- (a) The bond shall be payable solely from the net revenues of the utility and the sinking fund.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 3. Bonds and Notes Payable (continued)**

- (b) Monthly transfers must be equal to a sum of one-twelfth of the principal. Water Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Water Revenue Bond Sinking Fund for the purpose of making bond interest and principal payments when due.
- (c) Water user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year.

See the Statement of Indebtedness regarding the details of the development agreements.

**Note 4. Pension and Retirement Benefits**

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

Plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll, except for police employees, in which case the percentages are 6.64% and 9.95%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$101,755, \$95,569, and \$87,115, respectively, equal to the required contribution for each year.

**Note 5. Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 24 active members and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is 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 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. The most recent active member monthly premiums for the City and plan members are \$631 for single coverage and \$1,249 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$327,666 and plan members eligible for benefits contributed \$34,223 to the plan.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 6. Self-Insured Health Benefits**

The City of West Burlington has agreed to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance for all full-time employees selecting single coverage. For full-time employees selecting family coverage, the union employees pay 26% of the difference between the single and the family policy and non-union employees pay 6% of the difference between the single and family policy. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$300 per individual and \$600 per family. The total maximum reimbursement liability to be paid by the City is \$96,800. The City's cost related to this reimbursement for the year ended June 30, 2011 was approximately \$84,304.

**Note 7. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2011, primarily relating to the General Fund, is \$82,681 based on rates of pay in effect at June 30, 2011.

**Note 8. 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.

**Note 9. Commitments**

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City are as follows:

Mall road engineering and construction	\$	711,315
Fire truck refurbish		299,939
Storm water construction		89,868
Storm sewer improvements		55,517
Storm water & sanitary sewer study		11,479

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 10. Interfund Transfers**

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

Transfer to:	
General fund	\$ 638,197
Water equipment reserve	28,400
Sewer equipment reserve	10,000
Water service	37,321
Sewer service	19,356
Capital projects	126,333
Nonmajor governmental	123,471
Tax increment financing	475,000
Debt service	<u>1,665,926</u>
	<u>\$ 3,124,004</u>
Transfer from:	
Water service	\$ 431,069
Sewer service	22,322
General fund	216,131
Water equipment reserve	24,492
Capital projects	155,025
Road use	8,276
Sales tax	355,525
Nonmajor governmental	166,930
Tax increment financing	<u>1,744,234</u>
	<u>\$ 3,124,004</u>

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

**Note 11. Related Party Transactions**

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

**Note 12. Contract with the Burlington Municipal Waterworks**

On August 16, 1995, the City of West Burlington entered into an agreement with Burlington Municipal Waterworks to provide for the sale of water to the City of West Burlington. The contract provides an initial term of twenty years, with four additional terms of five years each, unless cancelled by either party after the initial term expires. Water usage began on January 1, 1996 and expenses of \$269,394 were recorded for the year ended June 30, 2011.

**City of West Burlington  
Notes to Financial Statements**

**Note 13. Jointly Governed Organizations**

The City is a participant in the Des Moines County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the eleven member board. The City paid \$37,348 in recycling fees in fiscal year 2011.

The City also participates with the City of Burlington in an agreement with the Southeast Iowa Regional Airport Authority. The City appoints one member of the five member Board of Trustees. The City contributed \$22,098 to the Airport in fiscal year 2011. There is a five year notice of cancellation requirement.

**Note 14. Cash Basis Fund Balances**

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2011 are as follows:

	<u>General</u>	<u>Road Use</u>	<u>Sales Tax</u>	<u>TIF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
Restricted for:								
Road use purposes	\$ -	\$ 6,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,423
Tax referendum purposes	-	-	281,060	-	-	-	-	281,060
Urban renewal projects	-	-	-	660,341	-	-	-	660,341
Debt service	-	-	-	-	8,815	-	-	8,815
Southeast Iowa Safety and Support Organization	-	-	-	-	-	-	20,229	20,229
Other capital projects	-	-	-	-	-	7,509	-	7,509
Committed to:								
Street and storm sewer project	-	-	-	-	-	2,476,850	-	2,476,850
Aerial fire truck	-	-	-	-	-	33,037	-	33,037
Hotel/motel study	-	-	-	-	-	-	3,333	3,333
Assigned to:								
Public safety	-	-	-	-	-	112,657	-	112,657
Public pool	-	-	-	-	-	78,233	-	78,233
Other capital projects	-	-	-	-	-	14,865	-	14,865
Other purposes	-	-	-	-	-	-	74,038	74,038
Unassigned	<u>834,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>834,461</u>
Total	<u>\$ 834,461</u>	<u>\$ 6,423</u>	<u>\$ 281,060</u>	<u>\$ 660,341</u>	<u>\$ 8,815</u>	<u>\$ 2,723,151</u>	<u>\$ 97,600</u>	<u>\$ 4,611,851</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of West Burlington**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2011**

	Governmental Funds Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
<b>Receipts:</b>							
Property tax	\$ 829,024	\$ -	\$ -	\$ 829,024	\$ 942,896	\$ 942,896	\$ (113,872)
Tax increment financing collections	2,195,063	-	-	2,195,063	2,099,070	2,099,070	95,993
Other city taxes	687,589	-	-	687,589	537,210	579,210	108,379
Use of money and property	86,253	220	-	86,473	76,074	92,770	(6,297)
Licenses and permits	124,884	-	-	124,884	59,309	104,309	20,575
Intergovernmental	717,810	-	-	717,810	390,931	803,815	(86,005)
Charges for service	234,543	1,188,018	-	1,422,561	1,386,441	1,423,441	(880)
Special assessments	-	539	-	539	-	-	539
Miscellaneous	322,116	37,947	-	360,063	309,802	325,597	34,466
Total receipts	<u>5,197,282</u>	<u>1,226,724</u>	<u>-</u>	<u>6,424,006</u>	<u>5,801,733</u>	<u>6,371,108</u>	<u>52,898</u>
<b>Disbursements:</b>							
Public safety	2,292,531	-	-	2,292,531	1,225,855	2,545,719	253,188
Public works	629,415	-	-	629,415	623,333	656,838	27,423
Culture and recreation	255,802	-	-	255,802	280,952	288,482	32,680
Community and economic development	781,084	-	-	781,084	290,288	792,288	11,204
General government	424,320	-	-	424,320	451,681	470,371	46,051
Debt service	1,707,417	-	-	1,707,417	1,638,623	1,708,508	1,091
Capital projects	601,248	-	-	601,248	225,000	1,765,326	1,164,078
Business type activities	-	1,228,135	-	1,228,135	1,220,028	1,291,933	63,798
Total disbursements	<u>6,691,817</u>	<u>1,228,135</u>	<u>-</u>	<u>7,919,952</u>	<u>5,955,760</u>	<u>9,519,465</u>	<u>1,599,513</u>
Excess (deficiency) of receipts over disbursements	(1,494,535)	(1,411)	-	(1,495,946)	(154,027)	(3,148,357)	1,652,411
Other financing sources	<u>3,847,806</u>	<u>(382,806)</u>	<u>-</u>	<u>3,465,000</u>	<u>-</u>	<u>3,450,000</u>	<u>15,000</u>
Net change in cash balances	2,353,271	(384,217)	-	1,969,054	(154,027)	301,643	1,667,411
Cash balances beginning of year	<u>2,258,580</u>	<u>931,899</u>	<u>-</u>	<u>3,190,479</u>	<u>3,256,771</u>	<u>3,256,771</u>	<u>(66,292)</u>
Cash balances end of year	<u>\$ 4,611,851</u>	<u>\$ 547,682</u>	<u>\$ -</u>	<u>\$ 5,159,533</u>	<u>\$ 3,102,744</u>	<u>\$ 3,558,414</u>	<u>\$ 1,601,119</u>

See accompanying independent auditor's report.

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

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. 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 Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$3,563,705. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works function.

**OTHER SUPPLEMENTARY INFORMATION**

**City of West Burlington**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2011**

	Fourth of July <u>Celebration</u>	Medical <u>Insurance</u>	Hotel/Motel <u>Tax</u>	SE Iowa Safety <u>and Support</u>	Other <u>Programs</u>	<u>Total</u>
Receipts:						
Other taxes	\$ -	\$ -	\$ 33,729	\$ -	\$ 156,929	\$ 190,658
Miscellaneous	<u>27,221</u>	<u>1,921</u>	<u>-</u>	<u>60,767</u>	<u>-</u>	<u>89,909</u>
Total receipts	<u>27,221</u>	<u>1,921</u>	<u>33,729</u>	<u>60,767</u>	<u>156,929</u>	<u>280,567</u>
Disbursements:						
Culture and recreation	31,570	-	-	-	-	31,570
General government	<u>-</u>	<u>110,876</u>	<u>26,811</u>	<u>61,626</u>	<u>-</u>	<u>199,313</u>
Total disbursements	<u>31,570</u>	<u>110,876</u>	<u>26,811</u>	<u>61,626</u>	<u>-</u>	<u>230,883</u>
Excess (deficiency) of receipts over disbursements	<u>(4,349)</u>	<u>(108,955)</u>	<u>6,918</u>	<u>(859)</u>	<u>156,929</u>	<u>49,684</u>
Other financing sources (uses):						
Operating transfers in (out)	<u>10,000</u>	<u>113,470</u>	<u>(10,000)</u>	<u>-</u>	<u>(156,929)</u>	<u>(43,459)</u>
	<u>10,000</u>	<u>113,470</u>	<u>(10,000)</u>	<u>-</u>	<u>(156,929)</u>	<u>(43,459)</u>
Net change in cash balances	5,651	4,515	(3,082)	(859)	-	6,225
Cash balances beginning of year	<u>21,128</u>	<u>34,156</u>	<u>15,003</u>	<u>21,088</u>	<u>-</u>	<u>91,375</u>
Cash balances end of year	<u>\$ 26,779</u>	<u>\$ 38,671</u>	<u>\$ 11,921</u>	<u>\$ 20,229</u>	<u>\$ -</u>	<u>\$ 97,600</u>
<b>Cash Basis Fund Balances</b>						
Restricted	\$ -	\$ -	\$ -	\$ 20,229	\$ -	\$ 20,229
Committed	-	-	3,333	-	-	3,333
Assigned	<u>26,779</u>	<u>38,671</u>	<u>8,588</u>	<u>-</u>	<u>-</u>	<u>74,038</u>
Total cash basis fund balances	<u>\$ 26,779</u>	<u>\$ 38,671</u>	<u>\$ 11,921</u>	<u>\$ 20,229</u>	<u>\$ -</u>	<u>\$ 97,600</u>

See accompanying independent auditor's report.

**City of West Burlington  
Statement of Indebtedness  
Year Ended June 30, 2011**

Obligation	Date of Issuance	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
<b>General obligation bonds:</b>									
Street improvement and refunding notes	3/01/03	1.35-3.20%	\$ 3,630,000	\$ 415,000	\$ -	\$ 415,000	\$ -	\$ 13,280	\$ -
Aquatic center bonds	10/01/07	3.80-4.05%	4,200,000	3,055,000	-	720,000	2,335,000	121,510	-
Water improvement loan agreement	8/27/08	3.00%	400,000	370,000	-	16,000	354,000	11,107	-
Water improvement bond	3/01/09	2.00-2.40%	850,000	575,000	-	285,000	290,000	13,230	-
Property acquisition note	4/30/10	2.50%	260,000	130,000	-	65,000	65,000	3,187	-
Street and storm sewer improvement note	4/15/11	2.00-3.00%	2,715,000	-	2,715,000	-	2,715,000	-	-
Aerial fire truck note	5/04/11	2.50-3.20%	750,000	-	750,000	-	750,000	-	-
Total				<u>\$ 4,545,000</u>	<u>\$ 3,465,000</u>	<u>\$ 1,501,000</u>	<u>\$ 6,509,000</u>	<u>\$ 162,314</u>	<u>\$ -</u>
<b>Water revenue note:</b>									
Water revenue bond	8/20/08	3.00%	\$ 330,000	<u>\$ 328,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 327,000</u>	<u>\$ 9,840</u>	<u>\$ -</u>
<b>Urban renewal TIF revenue bond:</b>									
Series 2003-A COBO	8/01/03	3.25-6.00%	\$ 320,000	<u>\$ 195,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 165,000</u>	<u>\$ 10,978</u>	<u>\$ -</u>
<b>Development agreements</b>	Various	5.70-6.75%	\$ 2,161,000	<u>\$ 1,584,725</u>	<u>\$ -</u>	<u>\$ 132,647</u>	<u>\$ 1,452,078</u>	<u>\$ 154,301</u>	<u>\$ -</u>

Development Agreements:

The City has entered into an agreement with a developer providing reimbursements from the City to the developer based upon a 20 year agreement.

The developer has installed streets, sewers, curbing, and other utilities at a cost of \$1.2 million. The City will reimburse the developer using an assumed amortization of 20 years at a rate of 5.7%. The City's payment will not exceed the increase in property taxes on the valuation of the land.

At the end of the 20 year period, the agreement will cease, and the City will not continue payments regardless of any principal due at that time. The City's interest cost for the year ended June 30, 2011 was \$37,704, with \$132,647 applied to the principal.

The City has entered into two other similar agreements with a combined cost of approximately \$961,000. The City's interest cost for the year ended June 30, 2011 was \$116,597 with no principal applied. The terms for these agreements are 10 years, using interest rate assumptions of 5.7% to 6.75%. These agreements are expected to begin principal reimbursements in the 2012 fiscal year.

See accompanying independent auditor's report.

**City of West Burlington  
Bond and Note Maturities  
June 30, 2011**

<b>General Obligation Bonds</b>													
	Street and Storm Sewer Improvement Notes April 15, 2011		Aerial Fire Truck Note April 15, 2011		Aquatic Center Bond October 1, 2007		Water Improvement Loan Agreement August 27, 2008		Water Improvement Bond March 1, 2009		Property Acquisition Note April 30, 2010		
Year Ending June 30,	Interest Rate	Amount	Amount	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
2012	2.00%	\$ 190,000	2.50%	\$ 65,000	3.95%	\$ 750,000	3.0%	\$ 16,000	2.40%	\$ 290,000	2.50%	\$ 65,000	\$ 1,376,000
2013	2.00%	500,000	2.50%	70,000	4.00%	775,000	3.0%	17,000	-	-	-	-	1,362,000
2014	2.00%	500,000	2.50%	70,000	4.05%	810,000	3.0%	17,000	-	-	-	-	1,397,000
2015	2.00%	680,000	2.50%	75,000	-	-	3.0%	18,000	-	-	-	-	773,000
2016	2.00%	685,000	2.75%	75,000	-	-	3.0%	18,000	-	-	-	-	778,000
2017	3.00%	30,000	2.75%	75,000	-	-	3.0%	19,000	-	-	-	-	124,000
2018	3.00%	30,000	2.60%	75,000	-	-	3.0%	19,000	-	-	-	-	124,000
2019	3.00%	30,000	2.90%	80,000	-	-	3.0%	20,000	-	-	-	-	130,000
2020	3.00%	35,000	3.00%	80,000	-	-	3.0%	21,000	-	-	-	-	136,000
2021	3.00%	35,000	3.20%	85,000	-	-	3.0%	21,000	-	-	-	-	141,000
2022	-	-	-	-	-	-	3.0%	22,000	-	-	-	-	22,000
2023	-	-	-	-	-	-	3.0%	23,000	-	-	-	-	23,000
2024	-	-	-	-	-	-	3.0%	23,000	-	-	-	-	23,000
2025	-	-	-	-	-	-	3.0%	24,000	-	-	-	-	24,000
2026	-	-	-	-	-	-	3.0%	25,000	-	-	-	-	25,000
2027	-	-	-	-	-	-	3.0%	25,000	-	-	-	-	25,000
2028	-	-	-	-	-	-	3.0%	26,000	-	-	-	-	26,000
		<u>\$ 2,715,000</u>		<u>\$ 750,000</u>		<u>\$ 2,335,000</u>		<u>\$ 354,000</u>		<u>\$ 290,000</u>		<u>\$ 65,000</u>	<u>\$ 6,509,000</u>

See accompanying independent auditor's report.

**City of West Burlington  
Bond and Note Maturities  
June 30, 2011**

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) <u>Revenue Bonds</u>		<u>Water Revenue Bonds</u>	
	Interest Rate	COBO 2003-A	Interest Rate	Amount
2012	5.35%	\$ 30,000	3.00%	\$ 15,000
2013	5.55%	30,000	3.00%	16,000
2014	5.75%	35,000	3.00%	16,000
2015	5.90%	35,000	3.00%	16,000
2016	6.00%	35,000	3.00%	17,000
2017		-	3.00%	17,000
2018		-	3.00%	18,000
2019		-	3.00%	19,000
2020		-	3.00%	19,000
2021		-	3.00%	20,000
2022		-	3.00%	20,000
2023		-	3.00%	21,000
2024		-	3.00%	21,000
2025		-	3.00%	22,000
2026		-	3.00%	23,000
2027		-	3.00%	23,000
2028		-	3.00%	24,000
		<u>\$ 165,000</u>		<u>\$ 327,000</u>

See accompanying independent auditor's report.

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

	Year Ending June 30,								
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Receipts:</b>									
Property tax	\$ 829,024	\$ 826,745	\$ 838,637	\$ 931,804	\$ 927,315	\$ 934,197	\$ 936,733	\$ 978,252	\$ 1,060,387
Tax increment financing collections	2,195,063	1,968,925	1,681,414	1,985,012	1,947,354	1,899,816	1,771,802	1,399,350	1,334,487
Other city taxes	687,589	646,133	643,872	537,495	433,246	385,512	391,763	426,373	370,031
Use of money and property	86,253	82,954	121,715	168,496	110,046	86,271	59,911	68,661	47,845
Licenses and permits	124,884	45,790	49,658	65,219	96,860	51,125	90,160	55,398	31,870
Intergovernmental	717,810	377,192	364,218	578,484	405,794	454,128	716,922	372,533	454,443
Charges for services	234,543	206,329	227,427	160,947	139,111	146,190	104,357	94,223	92,562
Special assessments	-	-	-	-	36,138	-	-	-	-
Miscellaneous	<u>322,116</u>	<u>262,142</u>	<u>284,720</u>	<u>364,415</u>	<u>290,025</u>	<u>410,076</u>	<u>437,425</u>	<u>305,762</u>	<u>101,145</u>
Total	<u>\$5,197,282</u>	<u>\$4,416,210</u>	<u>\$4,211,661</u>	<u>\$4,791,872</u>	<u>\$4,385,889</u>	<u>\$4,367,315</u>	<u>\$4,509,073</u>	<u>\$3,700,552</u>	<u>\$3,492,770</u>
<b>Disbursements:</b>									
<b>Operating:</b>									
Public safety	\$2,292,531	\$1,179,756	\$1,120,511	\$1,049,996	\$1,084,115	\$1,370,520	\$1,046,473	\$1,014,372	\$ 950,496
Public works	629,415	622,353	510,378	506,502	455,784	451,451	455,956	507,960	440,143
Culture and recreation	255,802	221,293	289,096	111,732	86,148	101,012	80,579	73,754	80,127
Community and economic development	781,084	277,976	229,542	205,075	2,349	16,837	2,607	287,374	63,681
General government	424,320	437,693	433,061	457,439	290,544	299,438	227,568	246,845	174,589
Debt service	1,707,417	1,763,709	1,358,394	1,118,458	1,220,655	1,118,576	1,445,846	1,130,716	1,502,503
Capital projects	<u>601,248</u>	<u>469,288</u>	<u>755,856</u>	<u>4,911,209</u>	<u>681,900</u>	<u>930,076</u>	<u>1,995,007</u>	<u>3,311,529</u>	<u>1,378,528</u>
Total	<u>\$6,691,817</u>	<u>\$4,972,068</u>	<u>\$4,696,838</u>	<u>\$8,360,411</u>	<u>\$3,821,495</u>	<u>\$4,287,910</u>	<u>\$5,254,036</u>	<u>\$6,572,550</u>	<u>\$4,590,067</u>

See accompanying independent auditor's report.

**City of West Burlington**  
**Schedule of Selected Employee Related Expenses**

	Year Ended June 30,								
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Disbursements:									
Gross salaries	\$ 1,351,100	\$ 1,336,200	\$ 1,338,300	\$ 1,203,900	\$ 1,164,300	\$ 1,158,300	\$ 1,081,500	\$ 1,087,600	\$ 1,042,400
FICA expense	99,200	98,500	98,800	89,500	87,100	87,400	81,500	82,300	78,700
IPERS & ICMA expense	<u>101,800</u>	<u>95,600</u>	<u>87,100</u>	<u>82,800</u>	<u>81,800</u>	<u>83,700</u>	<u>76,100</u>	<u>74,300</u>	<u>69,900</u>
Total	<u>\$ 1,552,100</u>	<u>\$ 1,530,300</u>	<u>\$ 1,524,200</u>	<u>\$ 1,376,200</u>	<u>\$ 1,333,200</u>	<u>\$ 1,329,400</u>	<u>\$ 1,239,100</u>	<u>\$ 1,244,200</u>	<u>\$ 1,191,000</u>

See accompanying independent auditor's report.



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, Iowa (City) 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 October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a 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. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City'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 and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

*CPA Associates PC*

October 14, 2011

**City of West Burlington  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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**Part I: Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES**

I-A-11 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of West Burlington. It is the responsibility of 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.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in the preparation of the financial statements.

Conclusion - Response accepted.

I-B-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**City of West Burlington  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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

II-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted in any program. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

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

II-B-11 Questionable Disbursements - We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees that we believed to be in violation of statutory provisions.

II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-11 Bonds and Revenue Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

II-H-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.