

CITY OF WEST BEND, IOWA

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

YEAR ENDED JUNE 30, 2011

City of West Bend, Iowa

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City of West Bend, Iowa

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City of West Bend, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marilyn Schutz	Mayor	12-31-11
Paul Lauck	Mayor Pro Tem	12-31-13
Mary Jane Hanselmen	Council Member	12-31-11
Joe Montag	Council Member	12-31-11
Jeff Miller	Council Member	(resigned) 05-23-11
Chris Newton	Council Member	(appointed) 12-31-11
Bruce Helleseth	Council Member	12-31-13
Lisa Sewell	Clerk	Indefinite
Kim Elbert	Treasurer	Indefinite
Donald Capotosto	Attorney	Indefinite

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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 Bend, 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 Bend's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Bend at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2011 on our consideration of the City of West Bend's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 54 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Bend's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.

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

October 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of West Bend's Annual Financial Report presents the Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City of West Bend exceeded liabilities at June 30, 2011 by \$9,243,038. Of this amount, \$3,528,399 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$568,204 during the year. Of this amount the assets of governmental activities increased \$279,422 and the assets of business activities increased by \$288,782.
- Total debt increased by \$34,222 during the 2010–2011 fiscal year. Of this amount, governmental activities retired \$140,000 of existing debt and business type activities retired \$117,000 of existing debt. Governmental activities added \$283,800 and business activities added \$7,816. These amounts include the addition of OPEB liabilities.

USING THIS REPORT

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

- ***Management's Discussion and Analysis*** – introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- ***Government-wide Financial Statements*** – consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- ***Fund Financial Statements*** – tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.
- ***Notes to Financial Statements*** – provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- ***Required Supplementary Information*** – further explains and supports the financial statements by showing budgetary comparisons.
- ***Other Supplementary Information*** – provides detailed information about the non-major governmental funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- **Governmental Activities** – Most of the City's basic services are reported here. They include Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** – This activity includes the Waterworks, the Sanitary Sewer System, the Electric Utility, the Gas Utility and the Solid Waste/Recycling Collection. These activities are financed primarily by user charges.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The following analysis shows the City’s total net assets at June 30, 2011.

	Governmental Activities	Business Type Activities	2011 Total	2010 Total
Current and Other Assets	\$ 1,046,400	4,329,754	5,376,154	4,949,237
Capital Assets	1,792,824	4,762,707	6,555,531	6,396,963
Total Assets	2,839,224	9,092,461	11,931,685	11,346,200
Long-term Liabilities	612,120	1,489,362	2,101,482	2,063,154
Other Liabilities	467,872	119,293	587,165	620,951
Total Liabilities	1,079,992	1,608,655	2,688,647	2,684,105
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,187,024	3,296,707	4,483,731	4,348,963
Restricted	278,134	952,774	1,230,908	815,399
Unrestricted	294,074	3,234,325	3,528,399	3,497,734
Net Total Assets	\$ 1,759,232	7,483,806	9,243,038	8,662,096

\$1,230,908 of the City of West Bend’s net assets (13.3%) represents resources that are subject to external restrictions of their use. The remaining balance of unrestricted net assets, \$3,528,399 may be used to meet the City’s ongoing obligations to citizens and creditors.

The City of West Bend, as a whole, is able to report a positive balance in their net assets for fiscal year ending June 30, 2011.

Net assets of governmental activities increased from FY10 to FY11 by approximately \$279,422. Net assets of the business type activities increased from FY10 to FY11 by approximately \$288,782.

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

	Governmental Activities	Business Type Activities	2011 Total	2010 Total
Program Revenues:				
Charges for Service	\$ 23,784	2,492,809	2,516,593	2,479,862
Operating Grants, Contributions & Restricted Interest	261,622	-	261,622	311,521
Capital Grants, Contributions & Restricted Interest	-	-	-	-
General Revenues:				
Property Tax for General Purposes	222,392	-	222,392	227,835
Property Tax for Debt Service	30,985	-	30,985	32,690
Tax Increment Financing Revenue	247,497	-	247,497	240,529
Local Option Sales Tax	56,818	-	56,818	57,103
Local Hotel Motel Tax	9,943	-	9,943	10,677
Unrestricted Investment Earnings	11,979	29,046	41,025	47,323
Miscellaneous	20,061	-	20,061	29,933
Transfers	49,919	(49,919)	-	-
Total Revenue	935,000	2,471,936	3,406,936	3,437,473
Program Expenses:				
Public Safety	147,633	-	147,633	92,542
Public Works	206,116	-	206,116	125,130
Health & Social Services	4,000	-	4,000	-
Culture & Recreation	175,710	-	175,710	162,130
Community & Economic Development	56,364	-	56,364	247,509
General Government	45,312	-	45,312	35,172
Interest on Long Term Debt	20,443	-	20,443	24,616
Water	-	124,665	124,665	122,354
Sewer	-	120,146	120,146	119,241
Electric	-	1,058,595	1,058,595	1,036,250
Gas	-	729,142	729,142	731,530
Other Non-major	-	126,822	126,822	126,670
Total Expenses	655,578	2,159,370	2,814,948	2,823,144
Increase in Net Assets	279,422	288,782	568,204	614,329
Net Assets July 1, 2010	1,479,810	7,195,024	8,674,834	8,060,505
Net Assets June 30, 2011	\$ 1,759,232	7,483,806	9,243,038	8,674,834

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

At June 30, 2011, the City of West Bend's governmental funds reported a total fund balance of \$571,824. This is less than the \$389,480 total fund balance at June 30, 2010. The following are main reasons for the changes in fund balances of the major governmental funds from the prior year.

- **General Fund** – The General Fund (operating fund for the City of West Bend), ended FY11 with a \$432,504 balance compared to the previous year ending fund balance of \$403,413. This increase is due to added intergovernmental revenues which includes public assistance and RISE funds.
- **Road Use Fund** – The Road Use Fund accounts for revenue received from the State of Iowa for street purposes. The Road Use Fund ended FY11 with a \$125,549 balance compared to the previous year ending fund balance of \$93,647. This fund balance increase is due to less expenditures affiliated with the maintenance of streets this fiscal year.
- **Tax Increment Financing Fund** – The Tax Increment Financing Fund accounts for proceeds from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal projects. This fund ended FY11 with a (\$139,594) balance compared to the previous year ending fund balance of (\$249,506). The negative fund balance is due to the retroactive reporting of an interfund loan payable to the gas fund.
- **Debt Service Fund** – The Debt Service Fund ended FY10 with a \$689 balance compared to the previous year ending balance of \$779. There was not any mayor change to this fund balance.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- **Water Fund** – The Water Fund, which accounts for the operation of the City's water system, ended FY11 with a \$1,065,603 net asset balance compared to the prior year ending net asset balance of \$920,635. This increase is due to a transfer to the Water Fund from the Gas Fund for Water Main Improvements. The project was not complete at the end of the fiscal year.
- **Sewer Fund** – The Sewer Fund, which accounts for the operation of the City's wastewater treatment and sanitary sewer system, ended FY11 with a \$1,046,136 net asset balance compared to the prior year ending net asset balance of \$1,025,170. The increase in the net assets is due to a decrease in the bonds payable and an increase in the sewer reserves.
- **Electric Fund** – The Electric Fund, which accounts for the operation of the municipal electric utility, ended FY11 with a \$3,626,622 net asset balance compared to the prior year ending net asset balance of \$3,503,894. This added balance is due to an increase in electric charges for services and a decrease in supplies expense.

- **Gas Fund** – The Gas Fund, which accounts for the operation of the municipal gas utility, ended FY11 with a \$1,684,562 net asset balance compared to the prior year ending net asset balance of \$1,689,357. This decrease is due to transfers made to the TIF Fund for land purchase and the Water Fund for water main improvements.

BUDGETARY HIGHLIGHTS

During the fiscal year ending June 30, 2011, the City amended its budget three times. The first amendment was made in August 2010. The amendment provided for additional disbursements due to water main improvements in two areas of the City and the completion of 4th Avenue NW in the Industrial Park. The second amendment was made in January of 2011. This amendment provided for additional expenditures due to the purchase of land near the Industrial Park, water main project and additional legal fees. The final amendment was made in May of 2011. This amendment provided for the additional expenditures due to casino grant projects and added debt service fees.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including land, buildings, and improvements, equipment, streets, storm sewer system, traffic controls and other infrastructure, represents the value of resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$1,792,824 (net of accumulated depreciation) at June 30, 2011. Capital assets for business type activities totaled \$4,762,707 (net of accumulated depreciation) at June 30, 2011.

The major capital outlays for governmental activities during the fiscal year included completion of the 4th Avenue NE in the West Bend Industrial Park.

The major capital outlays for business activities during this fiscal year included the installation of a water main along 4th Avenue SW and 8th Street SW.

Construction in progress for business activities consists of the infrastructure affiliated with the installation of a sanitary sewer main along Highway 15, street improvements on 3rd Avenue SW and 8th Street SW.

Long-Term Debt

At June 30, 2010, the City of West Bend had \$467,600 in long-term debt for the governmental activities. Total long-term debt in the business type activities was \$1,590,804 at June 30, 2010. More detailed information about the City's long-term debt is provided below:

- After making bond principal payments of \$140,000 and adding \$283,406 for Corn Belt Power Cooperative and OPEB liabilities during FY11, the City had \$611,006 in general obligation bonds/notes outstanding as of June 30, 2011. The general obligation bonds that were issued

paid for the participation in a joint drainage district project. The Corn Belt Power Cooperative Loan paid for Industrial Park Improvements and land purchase.

- After making bond principal payments of \$117,000 and adding \$7,816 for OPEB liabilities during FY11, the City had \$1,481,620 in total revenue bonds/notes outstanding as of June 30, 2011. The revenue bonds were issued to pay for the construction of the sewer lagoon and electric WS#4 projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Several economic factors affected decisions made by the City in setting its FY12 budget. Elected and appointed officials and department heads considered many factors such as tax rates and fees that will be charged for various City services and activities. Increases in fuel and product purchases were also considered.

The General Fund is projected to end FY12 with a fund balance of approximately \$406,000.

The tax levy rates per \$1,000 of taxable valuation for FY12 are provided below:

<u>FY12 Levy Rates</u>	
General Levy Rate	\$ 8.10000
Insurance	1.11859
Employee Benefits	1.49408
Debt Service	1.26742
<u>Total</u>	<u>\$ 11.67609</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Statement of Net Assets

June 30, 2011

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 756,231	3,250,743	4,006,974
Receivables:			
Property tax:			
Delinquent	1,556	-	1,556
Succeeding year	278,515	-	278,515
Tax increment financing:			
Delinquent	1,264	-	1,264
Succeeding year	122,885	-	122,885
Customer accounts	-	340,011	340,011
Accrued interest	138	548	686
Due from other governments	11,742	-	11,742
Internal balances	(141,500)	141,500	-
Inventories	-	134,444	134,444
Prepaid expenses	15,569	26,767	42,336
Bond issuance costs	-	9,575	9,575
Patronage dividends	-	21,886	21,886
Cost of obtaining gas allocation	-	150	150
Restricted assets:			
Cash	-	404,130	404,130
Capital assets (net of accumulated depreciation)	<u>1,792,824</u>	<u>4,762,707</u>	<u>6,555,531</u>
Total assets	<u>2,839,224</u>	<u>9,092,461</u>	<u>11,931,685</u>
Liabilities			
Accounts payable	57,890	97,298	155,188
Salaries and benefits payable	7,447	8,985	16,432
Sales tax payable	-	2,170	2,170
Deferred revenue:			
Succeeding year property tax	278,515	-	278,515
Succeeding year tax increment financing	122,885	-	122,885
Interest payable	1,135	4,772	5,907
Liabilities payable from restricted assets:			
Customer deposits	-	6,068	6,068

(continued)

Statement of Net Assets

June 30, 2011

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Liabilities (continued)			
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	50,000	-	50,000
Revenue bonds/notes payable	40,114	119,000	159,114
Compensated absences	1,114	7,742	8,856
Portion due or payable after one year:			
General obligation bonds/notes	275,000	-	275,000
Revenue bonds/notes payable	240,686	1,347,000	1,587,686
Net OPEB liability	5,206	15,620	20,826
Total liabilities	<u>1,079,992</u>	<u>1,608,655</u>	<u>2,688,647</u>
Net Assets			
Invested in capital assets, net of related debt	1,187,024	3,296,707	4,483,731
Restricted for:			
Infrastructure improvements	126,605	-	126,605
Culture and recreation improvements	8,413	-	8,413
Road purposes	125,549	-	125,549
Revenue bond retirement	-	263,871	263,871
Electric improvements	-	688,903	688,903
Other purposes	17,568	-	17,568
Unrestricted	294,074	3,234,325	3,528,399
Total net assets	<u>\$ 1,759,232</u>	<u>7,483,806</u>	<u>9,243,038</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Activities
Year ended June 30, 2011

Functions/Programs:	<u>Expenses</u>	Charges for <u>Service</u>	Program Revenues	
			Operating Grants, Contributions and Restricted <u>Interest</u>	Capital Grants, Contributions and Restricted <u>Interest</u>
Governmental activities:				
Public safety	\$ 147,633	139	13,662	-
Public works	206,116	-	218,178	-
Health and social services	4,000	-	-	-
Culture and recreation	175,710	23,567	24,982	-
Community and economic development	56,364	78	4,800	-
General government	45,312	-	-	-
Interest on long-term debt	20,443	-	-	-
Total governmental activities	655,578	23,784	261,622	-
Business type activities:				
Water	124,665	102,347	-	-
Sewer	120,146	136,747	-	-
Electric	1,058,595	1,202,937	-	-
Gas	729,142	894,677	-	-
Other nonmajor	126,822	132,317	-	-
Total business type activities	2,159,370	2,469,025	-	-
Total	\$ 2,814,948	2,492,809	261,622	-

General Revenues:

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

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

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and
Change in Net Assets

Governmental Activities	Business Type Activities	Total
(133,832)	-	(133,832)
12,062	-	12,062
(4,000)	-	(4,000)
(127,161)	-	(127,161)
(51,486)	-	(51,486)
(45,312)	-	(45,312)
(20,443)	-	(20,443)
<u>(370,172)</u>	<u>-</u>	<u>(370,172)</u>
-	(22,318)	(22,318)
-	16,601	16,601
-	144,342	144,342
-	165,535	165,535
-	5,495	5,495
<u>-</u>	<u>309,655</u>	<u>309,655</u>
<u>(370,172)</u>	<u>309,655</u>	<u>(60,517)</u>
\$ 222,392	-	222,392
30,985	-	30,985
247,497	-	247,497
56,818	-	56,818
9,943	-	9,943
11,979	29,046	41,025
20,061	-	20,061
49,919	(49,919)	-
<u>649,594</u>	<u>(20,873)</u>	<u>628,721</u>
279,422	288,782	568,204
<u>1,479,810</u>	<u>7,195,024</u>	<u>8,674,834</u>
<u>\$ 1,759,232</u>	<u>7,483,806</u>	<u>9,243,038</u>

City of West Bend, Iowa
Balance Sheet
Governmental Funds
June 30, 2011

Exhibit C

	<u>General</u>	<u>Special Revenue TIF</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash	\$ 475,487	642	580	271,683	748,392
Receivables:					
Property tax:					
Delinquent	1,227	-	199	130	1,556
Succeeding year	210,507	-	33,990	34,018	278,515
Tax increment financing:					
Delinquent	-	1,264	-	-	1,264
Succeeding year	-	122,885	-	-	122,885
Accrued interest	123	-	-	15	138
Due from other governments	-	-	-	11,742	11,742
Prepaid insurance	15,569	-	-	-	15,569
	<u>15,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,569</u>
Total assets	<u>\$ 702,913</u>	<u>124,791</u>	<u>34,769</u>	<u>317,588</u>	<u>1,180,061</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 52,455	-	-	5,435	57,890
Salaries and benefits payable	7,447	-	-	-	7,447
Due to other funds	-	141,500	-	-	141,500
Deferred revenue:					
Succeeding year property tax	210,507	-	33,990	34,018	278,515
Succeeding year tax increment financing	-	122,885	-	-	122,885
	<u>210,507</u>	<u>122,885</u>	<u>33,990</u>	<u>34,018</u>	<u>278,515</u>
	<u>-</u>	<u>122,885</u>	<u>-</u>	<u>-</u>	<u>122,885</u>
Total liabilities	<u>270,409</u>	<u>264,385</u>	<u>33,990</u>	<u>39,453</u>	<u>608,237</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	15,569	-	-	-	15,569
Restricted for:					
Debt service	-	-	779	-	779
Infrastructure improvements	-	-	-	126,605	126,605
Culture and recreation improvements	-	-	-	8,413	8,413
Other purposes	-	-	-	143,117	143,117
Unassigned	416,935	(139,594)	-	-	277,341
Total fund balances	<u>432,504</u>	<u>(139,594)</u>	<u>779</u>	<u>278,135</u>	<u>571,824</u>
Total liabilities and fund balances	<u>\$ 702,913</u>	<u>\$ 124,791</u>	<u>\$ 34,769</u>	<u>317,588</u>	<u>1,180,061</u>

See notes to financial statements.

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

June 30, 2011

Total governmental fund balances (page 15) \$ 571,824

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$2,563,372 and the accumulated depreciation is \$770,548. 1,792,824

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 7,839

Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (613,255)

Net assets of governmental activities (page 12) \$ 1,759,232

See notes to financial statements.

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

Governmental Funds

Year ended June 30, 2011

	<u>General</u>	Special Revenue <u>TIF</u>	Debt <u>Service</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Property tax	\$ 169,835	-	30,954	18,100	218,889
Tax increment financing	-	247,497		-	247,497
Other city tax	34,430	-	31	66,788	101,249
Licenses and permits	1,542	-	-	-	1,542
Use of money and property	11,361	-	-	618	11,979
Intergovernmental	179,955	-	-	76,079	256,034
Charges for service	21,454	-	-	-	21,454
Miscellaneous	26,261	-	-	-	26,261
Total revenues	<u>444,838</u>	<u>247,497</u>	<u>30,985</u>	<u>161,585</u>	<u>884,905</u>
Expenditures:					
Operating:					
Public safety:					
Police	54,348	-	-	14,863	69,211
Civil defense	3,316	-	-	-	3,316
Fire	61,479	-	-	-	61,479
Animal control	118	-	-	-	118
	<u>119,261</u>	<u>-</u>	<u>-</u>	<u>14,863</u>	<u>134,124</u>
Public works:					
Roadway maintenance	411,492	-	-	44,177	455,669
Storm sewer	116	-	-	-	116
Street lighting	6,559	-	-	-	6,559
Traffic safety	788	-	-	-	788
Street cleaning	908	-	-	-	908
	<u>419,863</u>	<u>-</u>	<u>-</u>	<u>44,177</u>	<u>464,040</u>
Health and social services					
Water, air, and mosquito control	4,000	-	-	-	4,000
Culture and recreation:					
Library	67,076	-	-	14,004	81,080
Parks	13,545	-	-	187	13,732
Ice skating	9,816	-	-	466	10,282
Community center	21,715	-	-	-	21,715
Swimming pool	33,999	-	-	1,359	35,358
Other	-	-	-	6,150	6,150
	<u>146,151</u>	<u>-</u>	<u>-</u>	<u>22,166</u>	<u>168,317</u>

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

Governmental Funds

Year ended June 30, 2011

	<u>General</u>	Special Revenue <u>TIF</u>	Debt <u>Service</u>	<u>Nonmajor</u>	<u>Total</u>
Community and economic development:					
Economic development	13,930	37,485	-	-	51,415
Other	4,949	-	-	-	4,949
	<u>18,879</u>	<u>37,485</u>	<u>-</u>	<u>-</u>	<u>56,364</u>
General government:					
Mayor/council	2,809	-	-	114	2,923
City clerk/treasurer	3,962	-	-	-	3,962
Legal	12,412	-	-	-	12,412
General liability insurance	25,630	-	-	-	25,630
	<u>44,813</u>	<u>-</u>	<u>-</u>	<u>114</u>	<u>44,927</u>
Debt service	-	-	160,995	-	160,995
Total expenditures	<u>752,967</u>	<u>37,485</u>	<u>160,995</u>	<u>81,320</u>	<u>1,032,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(308,129)</u>	<u>210,012</u>	<u>(130,010)</u>	<u>80,265</u>	<u>(147,862)</u>
Other financing sources (uses):					
Bond proceeds	280,800	-	-	-	280,800
Operating transfers in	103,420	-	130,100	-	233,520
Operating transfers out	(47,000)	(100,100)	-	(37,014)	(184,114)
Total other financing sources (uses)	<u>337,220</u>	<u>(100,100)</u>	<u>130,100</u>	<u>(37,014)</u>	<u>330,206</u>
Net change in fund balances	29,091	109,912	90	43,251	182,344
Fund balances (deficit) beginning of year	<u>403,413</u>	<u>(249,506)</u>	<u>689</u>	<u>234,884</u>	<u>389,480</u>
Fund balances (deficit) end of year	<u>\$ 432,504</u>	<u>(139,594)</u>	<u>779</u>	<u>278,135</u>	<u>571,824</u>

See notes to financial statements.

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

Year ended June 30, 2011

Net change in fund balances - Total governmental funds (page 18) \$ 182,344

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

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

Expenditures for capital assets	\$ 362,743	
Depreciation expense	<u>(121,741)</u>	241,002

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

Issued	(280,800)	
Repaid	<u>140,000</u>	(140,800)

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

Compensated absences	(273)	
Other postemployment benefits	(2,606)	
Interest on long-term debt	<u>552</u>	(2,327)

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

(797)

Change in net assets of governmental activities (page 14) \$ 279,422

See notes to financial statements.

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Assets				
Cash	\$ 123,087	535,158	1,152,115	1,388,165
Accounts receivable	15,887	21,699	174,215	108,822
Interest receivable	2	10	454	78
Prepaid expenses	1,961	345	21,032	3,429
Inventory	10,123	-	120,171	4,150
Due from other funds	-	-	-	193,351
Restricted cash	-	-	398,062	-
Cost of obtaining gas allocation	-	-	-	150
Bond issuance costs	-	2,888	6,687	-
Patronage dividends receivable	-	-	21,886	-
Capital assets:				
Land	1,000	-	4,750	-
Construction in progress	-	9,753	8,811	-
Buildings and equipment	1,839,500	1,566,717	6,384,451	316,831
Less accumulated depreciation	(869,556)	(768,164)	(3,449,223)	(282,163)
Total assets	1,122,004	1,368,406	4,843,411	1,732,813
Liabilities				
Accounts payable	2,711	8,653	41,917	33,290
Salaries payable	562	562	4,606	3,255
Sales tax payable	-	-	-	2,170
Interest payable	-	778	3,994	-
Due to other funds	51,851	-	-	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Long-term liabilities:				
Compensated absences	106	106	3,462	4,068
Net OPEB liability	1,171	1,171	7,810	5,468
Bonds, notes, and loans payable	-	311,000	1,155,000	-
Total liabilities	56,401	322,270	1,216,789	48,251

Exhibit G

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
32,978	3,231,503	27,079
19,388	340,011	-
4	548	-
-	26,767	-
-	134,444	-
-	193,351	-
6,068	404,130	-
-	150	-
-	9,575	-
-	21,886	-
-	5,750	-
-	18,564	-
-	10,107,499	-
-	(5,369,106)	-
<u>58,438</u>	<u>9,125,072</u>	<u>27,079</u>
10,727	97,298	-
-	8,985	-
-	2,170	-
-	4,772	-
-	51,851	-
6,068	6,068	-
-	7,742	-
-	15,620	-
-	1,466,000	-
<u>16,795</u>	<u>1,660,506</u>	<u>-</u>

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Net assets				
Invested in capital assets, net of related debt	970,944	497,306	1,793,789	34,668
Restricted for:				
Electric note retirement	-	-	263,871	-
Electric improvements	-	-	688,903	-
Unrestricted:				
Reserved for improvements	62,407	-	414,423	-
Unrestricted, unreserved	<u>32,252</u>	<u>548,830</u>	<u>465,636</u>	<u>1,649,894</u>
Total net assets	<u><u>\$ 1,065,603</u></u>	<u><u>1,046,136</u></u>	<u><u>3,626,622</u></u>	<u><u>1,684,562</u></u>

See notes to financial statements.

Exhibit G

<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund Self Insurance</u>
-	3,296,707	-
-	263,871	-
-	688,903	-
-	476,830	-
<u>41,643</u>	<u>2,738,255</u>	<u>27,079</u>
<u><u>41,643</u></u>	<u><u>7,464,566</u></u>	<u><u>27,079</u></u>

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

June 30, 2011

Total proprietary fund balances (page 23) \$ 7,464,566

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

19,240

Net assets of business type activities (page 12) \$ 7,483,806

See notes to financial statements.

City of West Bend, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2011

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Operating revenues:				
Charges for services	\$ 95,357	136,707	1,189,827	888,195
Miscellaneous	<u>6,990</u>	<u>40</u>	<u>13,110</u>	<u>6,482</u>
Total operating revenues	<u>102,347</u>	<u>136,747</u>	<u>1,202,937</u>	<u>894,677</u>
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:				
Personal services	20,910	20,910	159,354	122,740
Purchased energy	-	-	469,869	551,216
Utilities	10,466	1,848	17,412	3,222
Repairs and maintenance	5,970	13,927	63,149	1,893
Other supplies and expenses	25,861	2,427	127,471	40,121
Depreciation	59,902	70,793	169,764	8,500
Amortization	<u>-</u>	<u>413</u>	<u>608</u>	<u>-</u>
Total operating expenses	<u>123,109</u>	<u>110,318</u>	<u>1,007,627</u>	<u>727,692</u>
Operating income (loss)	<u>(20,762)</u>	<u>26,429</u>	<u>195,310</u>	<u>166,985</u>
Non-operating revenues (expenses):				
Interest and dividend income	366	4,445	10,172	13,969
Interest expense	<u>(1,521)</u>	<u>(9,793)</u>	<u>(50,235)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(1,155)</u>	<u>(5,348)</u>	<u>(40,063)</u>	<u>13,969</u>
Net income (loss) before transfers	(21,917)	21,081	155,247	180,954
Transfers in (out)	<u>166,885</u>	<u>(115)</u>	<u>(32,516)</u>	<u>(185,749)</u>
Change in net assets	144,968	20,966	122,731	(4,795)
Net assets beginning of year	<u>920,635</u>	<u>1,025,170</u>	<u>3,503,891</u>	<u>1,689,357</u>
Net assets end of year	<u>\$ 1,065,603</u>	<u>1,046,136</u>	<u>3,626,622</u>	<u>1,684,562</u>

See notes to financial statements.

Exhibit I

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
132,317	2,442,403	-
-	26,622	176
<u>132,317</u>	<u>2,469,025</u>	<u>176</u>
-	-	1,408
-	-	78
-	323,914	-
-	1,021,085	-
-	32,948	-
-	84,939	-
126,822	322,702	2,253
-	308,959	-
-	1,021	-
<u>126,822</u>	<u>2,095,568</u>	<u>3,739</u>
<u>5,495</u>	<u>373,457</u>	<u>(3,563)</u>
94	29,046	-
-	(61,549)	-
<u>94</u>	<u>(32,503)</u>	<u>-</u>
5,589	340,954	(3,563)
-	(51,495)	2,089
5,589	289,459	(1,474)
<u>36,054</u>	<u>7,175,107</u>	<u>28,553</u>
<u>41,643</u>	<u>7,464,566</u>	<u>27,079</u>

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

Year ended June 30, 2011

Net change in fund balances - Total proprietary funds (page 26)	\$ 289,459
The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.	<u>(677)</u>
Change in net assets of business type activities (page 14)	<u>\$ 288,782</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 101,735	136,060	1,185,213	862,148
Payments to suppliers and employees	<u>(61,739)</u>	<u>(30,225)</u>	<u>(856,537)</u>	<u>(715,256)</u>
Net cash provided by (used in) operating activities	<u>39,996</u>	<u>105,835</u>	<u>328,676</u>	<u>146,892</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(115)	(115)	(32,516)	(185,749)
Transfers from other funds	<u>167,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>166,885</u>	<u>(115)</u>	<u>(32,516)</u>	<u>(185,749)</u>
Cash flows from capital and related financing activities:				
Receipts (payments) from inter-fund loans	-	-	-	133,979
Purchases of capital assets	(163,010)	(9,753)	(53,762)	-
Principal paid on capital debt	(16,479)	(37,000)	(80,000)	-
Interest paid on capital debt	<u>(1,521)</u>	<u>(9,885)</u>	<u>(50,445)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(181,010)</u>	<u>(56,638)</u>	<u>(184,207)</u>	<u>133,979</u>
Cash flows from investing activities:				
Interest and dividends	<u>380</u>	<u>4,521</u>	<u>9,809</u>	<u>14,256</u>
Net cash provided by investing activities	<u>380</u>	<u>4,521</u>	<u>9,809</u>	<u>14,256</u>
Net increase (decrease) in cash and cash equivalents	26,251	53,603	121,762	109,378
Cash and cash equivalents beginning of year	<u>96,836</u>	<u>481,555</u>	<u>1,428,415</u>	<u>1,278,787</u>
Cash and cash equivalents end of year	<u>\$ 123,087</u>	<u>535,158</u>	<u>1,550,177</u>	<u>1,388,165</u>

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
128,716	2,413,872	176
(125,141)	(1,788,898)	(3,739)
<u>3,575</u>	<u>624,974</u>	<u>(3,563)</u>
-	(218,495)	-
<u>-</u>	<u>167,000</u>	<u>2,089</u>
<u>-</u>	<u>(51,495)</u>	<u>2,089</u>
-	133,979	-
-	(226,525)	-
-	(133,479)	-
<u>-</u>	<u>(61,851)</u>	<u>-</u>
<u>-</u>	<u>(287,876)</u>	<u>-</u>
<u>93</u>	<u>29,059</u>	<u>-</u>
<u>93</u>	<u>29,059</u>	<u>-</u>
3,668	314,662	(1,474)
<u>35,378</u>	<u>3,320,971</u>	<u>28,553</u>
<u>39,046</u>	<u>3,635,633</u>	<u>27,079</u>

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (20,762)	26,429	195,310	166,985
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	59,902	70,793	169,764	8,500
Amortization expense	-	413	608	-
Change in assets and liabilities:				
Receivables, net	(976)	(687)	(23,117)	(32,529)
Consumer deposits	-	-	-	-
Prepaid expenses	(96)	(19)	(1,052)	(40)
Inventory	364	-	5,394	325
Accounts and other payables	824	8,166	(24,800)	(254)
Accrued expenses	154	154	2,662	1,168
Increase in other postemployment benefits	586	586	3,907	2,737
Net cash provided by (used in) operating activities	<u>\$ 39,996</u>	<u>105,835</u>	<u>328,676</u>	<u>146,892</u>
 Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:				
Current assets:				
Cash	\$ 123,087	535,158	1,152,115	1,388,165
Restricted assets:				
Cash	<u>-</u>	<u>-</u>	398,062	<u>-</u>
Cash and cash equivalents at year end	<u>\$ 123,087</u>	<u>535,158</u>	<u>1,550,177</u>	<u>1,388,165</u>

See notes to financial statements.

Exhibit K

Other Nonmajor Enterprise Funds	<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
5,495	373,457	(3,563)
-	308,959	-
-	1,021	-
(3,071)	(60,380)	-
(530)	(530)	-
-	(1,207)	-
-	6,083	-
1,681	(14,383)	-
-	4,138	-
-	7,816	-
<u>3,575</u>	<u>624,974</u>	<u>(3,563)</u>
32,978	3,231,503	27,079
<u>6,068</u>	<u>404,130</u>	<u>-</u>
<u>39,046</u>	<u>3,635,633</u>	<u>27,079</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of West Bend is a political subdivision of the State of Iowa located in Palo Alto and Kossuth counties. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of West Bend provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also provides water, sewer, electric, gas, and sanitation utilities.

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

A. Reporting Entity

For financial reporting purposes, the City of West Bend has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet these criteria.

Jointly Governed Organizations

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

B. Basis of Presentation

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

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

Enterprise:

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

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

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

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

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

Property tax receivable is recognized in these funds on the levy or lien date which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2010.

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

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

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or 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.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

E. Budgets and Budgetary Accounting

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

(2) Cash

The City's deposits in banks at June 30, 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.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2011

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>3,537</u>	<u>40,000</u>	---	<u>43,537</u>
Capital assets being depreciated:				
Buildings	141,000	---	---	141,000
Improvements other than buildings	48,471	---	---	48,471
Machinery, equipment and vehicles	502,860	28,924	(40,550)	491,234
Infrastructure, road network	<u>1,545,311</u>	<u>293,819</u>	---	<u>1,839,130</u>
Total capital assets being depreciated	<u>2,237,642</u>	<u>322,743</u>	<u>(40,550)</u>	<u>2,519,835</u>
Less accumulated depreciation for:				
Buildings	137,884	500	---	138,384
Improvements other than buildings	15,891	3,993	---	19,884
Machinery, equipment and vehicles	278,667	30,295	(40,550)	268,412
Infrastructure, road network	<u>256,915</u>	<u>86,953</u>	---	<u>343,868</u>
Total accumulated depreciation	<u>689,357</u>	<u>121,741</u>	<u>(40,550)</u>	<u>770,548</u>
Total capital assets being depreciated, net	<u>1,548,285</u>	<u>201,002</u>	---	<u>1,749,287</u>
Governmental activities capital assets, net	\$ <u>1,551,822</u>	<u>241,002</u>	---	<u>1,792,824</u>

Included in machinery, equipment and vehicles is equipment valued at \$12,979 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$1,298 and accumulated depreciation of \$10,384.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2011

	Balance Beginning <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	Balance End <u>of Year</u>
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 5,750	---	---	5,750
Construction in progress	<u>---</u>	<u>114,874</u>	<u>---</u>	<u>114,874</u>
Total capital assets not being depreciated	<u>5,750</u>	<u>114,874</u>	<u>---</u>	<u>120,624</u>
Capital assets being depreciated:				
Buildings	3,223,160	66,701	---	3,289,861
Machinery, equipment and vehicles	693,978	---	(129,620)	564,358
Infrastructure, sewer, water, electric, gas networks	<u>6,112,020</u>	<u>44,950</u>	<u>---</u>	<u>6,156,970</u>
Total capital assets being depreciated	<u>10,029,158</u>	<u>111,651</u>	<u>(129,620)</u>	<u>10,011,189</u>
Less accumulated depreciation for:				
Buildings	1,993,790	83,626	---	2,077,416
Machinery, equipment and vehicles	611,658	18,988	(129,620)	501,026
Infrastructure, sewer, water, electric, gas networks	<u>2,584,319</u>	<u>206,345</u>	<u>---</u>	<u>2,790,664</u>
Total accumulated depreciation	<u>5,189,767</u>	<u>308,959</u>	<u>(129,620)</u>	<u>5,369,106</u>
Total capital assets being depreciated, net	<u>4,839,391</u>	<u>(197,308)</u>	<u>---</u>	<u>4,642,083</u>
Business type activities capital assets, net	\$ <u>4,845,141</u>	<u>(82,434)</u>	<u>---</u>	<u>4,762,707</u>

Included in machinery, equipment and vehicles is equipment valued at \$49,186 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$4,919 and accumulated depreciation of \$37,712.

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

Governmental activities:	
Public safety	\$ 10,525
Public works, which includes the depreciation of general infrastructure assets	104,819
Culture and recreation	6,012
General government	<u>385</u>
Total depreciation expense – governmental activities	\$ <u>121,741</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

Business type activities:

Water	\$ 59,902
Sewer	70,793
Electric	169,764
Gas	<u>8,500</u>
Total depreciation expense – business type activities	<u>\$ 308,959</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes:					
Drainage improvements	\$ 370,000	---	45,000	325,000	50,000
Water improvements	95,000	---	95,000	---	---
Revenue note	---	280,800	---	280,800	40,114
Net OPEB liability	<u>2,600</u>	<u>2,606</u>	<u>---</u>	<u>5,206</u>	<u>---</u>
Total	<u>\$ 467,600</u>	<u>283,406</u>	<u>140,000</u>	<u>611,006</u>	<u>90,114</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Business type activities:					
Revenue bonds/notes:					
Electric	\$ 1,235,000	---	80,000	1,155,000	80,000
Sewer	348,000	---	37,000	311,000	39,000
Net OPEB liability	<u>7,804</u>	<u>7,816</u>	<u>---</u>	<u>15,620</u>	<u>---</u>
Total	<u>\$ 1,590,804</u>	<u>7,816</u>	<u>117,000</u>	<u>1,481,620</u>	<u>119,000</u>

General obligation bonds/notes

One issue of unmatured general obligation bonds/notes, totaling \$325,000, is outstanding at June 30, 2011. General obligation bonds/notes bear interest at rates ranging from 3.95% to 5.10% per annum and mature in varying annual amounts, ranging from \$40,000 to \$60,000, with the final maturities due in the year ending June 30, 2017.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

Details of general obligation bonds/notes payable at June 30, 2011 are as follows:

Governmental activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2011
General obligation bonds/notes:						
Drainage improvements	Sep 15, 2006	3.95%-4.30%	June 30, 2017	45,000-60,000	\$ 550,000	\$ <u>325,000</u>

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

Year Ending	General Obligation			
	June 30,	Principal	Interest	Total
2012		\$ 50,000	13,623	63,623
2013		50,000	11,573	61,573
2014		55,000	9,510	64,510
2015		55,000	7,228	62,228
2016		55,000	4,918	59,918
2017		<u>60,000</u>	<u>2,580</u>	<u>62,580</u>
Total		\$ <u>325,000</u>	<u>49,432</u>	<u>374,432</u>

Revenue bonds/notes

Three issues of unmatured revenue bonds/notes, totaling \$1,746,800, are outstanding at June 30, 2011. These bonds/notes bear interest at rates of 0.00% to 4.70% per annum and mature in varying annual amounts ranging from \$35,000 to \$135,000, with the final maturities due in the year ending June 30, 2022.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay \$1,650,000 in electric revenue notes issued in February 2004. Proceeds from the notes provided financing for the construction of improvements to the electric distribution system. The notes are payable solely from electric customer net revenues and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$1,481,750. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$130,445 and \$365,074, respectively.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$699,000 in sewer revenue notes issued in December, 2008. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net revenues and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$345,185. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$46,885 and \$97,222, respectively.

The City has pledged future urban renewal tax revenues to repay \$280,800 in urban renewal tax increment notes issued in November 2010. Proceeds from the notes are to be used to finance an urban renewal project within the West Bend Urban Renewal Area, consisting of constructing street, storm sewer and water main improvements and installing street lighting. The notes are payable solely from the income and proceeds of the Urban Renewal Tax Revenue Fund and the portion of taxes to be paid into such Fund and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$280,800. For the current year, principal and interest paid and total net revenues were \$0 and \$210,012, respectively.

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

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

During the year ended June 30, 2011, the City was in compliance with the revenue bond/note provisions.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2011

Details of revenue notes payable at June 30, 2011 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2011</u>
Governmental activities:						
Urban renewal tax increment note	Nov 28, 2010	0.00%	June 1, 2017	40,114	\$ 280,800	\$ 280,800
Total governmental activities						<u>280,800</u>
Business type activities:						
Electric revenue	Feb. 1, 2004	2.50%-4.70%	June 1, 2022	70,000-135,000	\$ 1,650,000	\$ 1,155,000
Sewer revenue CW9516R and CW9136R	Dec. 1, 1998	3.00%	Dec. 1, 2017	35,000-50,000	699,000	<u>311,000</u>
Total business type activities						<u>1,466,000</u>
Total						<u>\$ 1,746,800</u>

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

Year Ending <u>June 30,</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 159,114	56,670	215,784
2013	166,114	52,830	218,944
2014	172,114	48,610	220,724
2015	180,114	43,975	224,089
2016	186,114	38,952	225,066
2017-2021	748,230	113,553	861,783
2022	<u>135,000</u>	<u>6,345</u>	<u>141,345</u>
Total	<u>\$ 1,746,800</u>	<u>360,935</u>	<u>2,107,735</u>

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2011

(5) Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Hotel Motel Tax	\$ 6,500
	Enterprise: Electric	31,710
	Gas	<u>65,210</u>
		<u>103,420</u>
Debt Service	Special Revenue: Local Option Sales Tax	<u>130,100</u>
Internal Service: Self insurance	Enterprise: Water	115
	Sewer	115
	Electric	807
	Gas	539
	Special Revenue: Trust and Agency	<u>513</u>
		<u>2,089</u>
Enterprise: Water	General	<u>47,000</u>
	Enterprise: Gas	<u>120,000</u>
		<u>167,000</u>
Total		\$ <u>402,609</u>

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

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2011

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Gas	Special Revenue TIF	\$ <u>141,500</u>

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

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$21,115, \$20,284, and \$19,399 respectively, equal to the required contributions for each year.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

(8) 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 8 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 10,404
Interest on net OPEB obligation	416
Adjustment to annual required contribution	<u>(398)</u>
Annual OPEB cost	10,422
Contributions made	<u>---</u>
Increase in net OPEB obligation	10,422
Net OPEB obligation beginning of year	<u>10,404</u>
Net OPEB obligation end of year	\$ <u>20,826</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated using the alternative measurement method by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the City contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 10,404	0 %	\$ 10,404
2011	10,422	0 %	\$ 20,826

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$34,521, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$34,521. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$274,200 and the ratio of the UAAL to covered payroll was 12.6%. As of June 30, 2011, there were no trust fund assets.

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

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

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

(9) Risk Management

The City of West Bend is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2011

assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Commitments

The City has also committed to a couple of improvement projects. The total cost is estimated at around \$218,000.

(11) Deficit Balance

At June 30, 2011, there was a deficit fund balance as follows:

Special Revenue, TIF Fund	\$ 139,594
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This deficit balance is the result of project costs in excess of available funds. This deficit will be eliminated upon collection of tax increment financing revenues.

(12) Subsequent Events

The City has evaluated subsequent events through October 17, 2011, the date the financial statements were available to be issued. The City anticipates refinancing their electric revenue bonds before the end of the calendar year.

Required Supplementary Information

City of West Bend, Iowa

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 219,586	-	219,586
Tax increment financing	247,627	-	247,627
Other city tax	100,291	-	100,291
Licenses and permits	1,541	-	1,541
Use of money and property	11,950	30,750	42,700
Intergovernmental	254,550	-	254,550
Charges for service	21,455	2,424,053	2,445,508
Miscellaneous	<u>26,263</u>	<u>176</u>	<u>26,439</u>
Total receipts	<u>883,263</u>	<u>2,454,979</u>	<u>3,338,242</u>
Disbursements:			
Public safety	121,496	-	121,496
Public works	429,602	-	429,602
Health and social services	4,000	-	4,000
Culture and recreation	166,463	-	166,463
Community and economic development	50,348	-	50,348
General government	45,803	-	45,803
Debt service	160,995	-	160,995
Business type activities	<u>-</u>	<u>2,236,169</u>	<u>2,236,169</u>
Total disbursements	<u>978,707</u>	<u>2,236,169</u>	<u>3,214,876</u>
Excess (deficiency) of receipts over (under) disbursements	(95,444)	218,810	123,366
Other financing sources (uses), net	<u>208,542</u>	<u>88,737</u>	<u>297,279</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	113,098	307,547	420,645
Balances beginning of year	<u>635,295</u>	<u>2,957,103</u>	<u>3,592,398</u>
Balances end of year	<u>\$ 748,393</u>	<u>3,264,650</u>	<u>4,013,043</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
218,169	218,169	1,417
252,320	252,320	(4,693)
108,298	108,298	(8,007)
2,800	2,800	(1,259)
13,400	13,400	29,300
363,220	380,970	(126,420)
2,451,983	2,452,983	(7,475)
31,755	32,005	(5,566)
<u>3,441,945</u>	<u>3,460,945</u>	<u>(122,703)</u>
130,425	127,085	5,589
535,900	675,900	246,298
4,000	4,000	-
200,225	201,460	34,997
180,795	186,115	135,767
44,120	47,620	1,817
160,945	160,995	-
<u>2,446,055</u>	<u>2,546,055</u>	<u>309,886</u>
<u>3,702,465</u>	<u>3,949,230</u>	<u>734,354</u>
(260,520)	(488,285)	611,651
<u>285,000</u>	<u>285,000</u>	<u>12,279</u>
24,480	(203,285)	623,930
<u>3,592,398</u>	<u>3,592,398</u>	<u>-</u>
<u>3,616,878</u>	<u>3,389,113</u>	<u>623,930</u>

City of West Bend, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds			Proprietary Funds		
				Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 883,263	1,642	884,905	2,454,979	43,092	2,498,071
Expenditures/expenses	<u>(978,707)</u>	<u>(54,060)</u>	<u>(1,032,767)</u>	<u>(2,236,169)</u>	<u>79,052</u>	<u>(2,157,117)</u>
Net	(95,444)	(52,418)	(147,862)	218,810	122,144	340,954
Other financing sources, net	208,542	121,664	330,206	88,737	(140,232)	(51,495)
Beginning fund balances/ net assets	<u>635,295</u>	<u>(245,815)</u>	<u>389,480</u>	<u>2,957,103</u>	<u>4,218,004</u>	<u>7,175,107</u>
Ending fund balances/net assets	<u>\$ 748,393</u>	<u>(176,569)</u>	<u>571,824</u>	<u>3,264,650</u>	<u>4,199,916</u>	<u>7,464,566</u>

See accompanying independent auditors report.

City of West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted receipts by \$19,000 and budgeted disbursements by \$246,765. These budget amendments are reflected in the final budgeted amounts.

City of West Bend, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended <u>June 30,</u>	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b - a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b - a) / c)</u>
2010	July 1, 2009	-	\$ 34,521	\$ 34,521	0%	\$274,500	12.5%
2011	July 1, 2009	-	\$ 34,521	\$ 34,521	0%	\$274,200	12.6%

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

See accompanying independent auditor's report.

Other Supplementary Information

City of West Bend, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue				<u>Total</u>
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>	
Assets					
Cash	\$ 124,884	9,024	121,519	16,256	271,683
Receivables:					
Property tax:					
Delinquent	-	130	-	-	130
Succeeding year	-	34,018	-	-	34,018
Accrued interest	-	2	13	-	15
Due from other governments	6,100	-	5,073	569	11,742
Total assets	\$ 130,984	43,174	126,605	16,825	317,588
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 5,435	-	-	-	5,435
Deferred revenue:					
Succeeding year property tax	-	34,018	-	-	34,018
Total liabilities	5,435	34,018	-	-	39,453
Fund equity:					
Fund balances:					
Unreserved reported in:					
Special revenue funds	125,549	9,156	126,605	16,825	278,135
Total fund equity	125,549	9,156	126,605	16,825	278,135
Total liabilities and fund balances	\$ 130,984	43,174	126,605	16,825	317,588

See accompanying independent auditor's report.

City of West Bend, Iowa

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

Year ended June 30, 2011

	Special Revenue				<u>Total</u>
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>	
Revenues:					
Property tax	\$ -	18,100	-	-	18,100
Other city tax	-	27	56,818	9,943	66,788
Use of money and property	-	61	557	-	618
Intergovernmental	<u>76,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,079</u>
Total revenues	<u>76,079</u>	<u>18,188</u>	<u>57,375</u>	<u>9,943</u>	<u>161,585</u>
Expenditures:					
Operating:					
Public safety:					
Police	<u>-</u>	<u>14,863</u>	<u>-</u>	<u>-</u>	<u>14,863</u>
Public works:					
Roadway maintenance	<u>44,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,177</u>
Culture and recreation:					
Library	-	14,004	-	-	14,004
Parks	-	187	-	-	187
Ice skating	-	466	-	-	466
Swimming pool	-	1,359	-	-	1,359
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,150</u>	<u>6,150</u>
	<u>-</u>	<u>16,016</u>	<u>-</u>	<u>6,150</u>	<u>22,166</u>
Community and economic development:					
Economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General government:					
Mayor/council	<u>-</u>	<u>114</u>	<u>-</u>	<u>-</u>	<u>114</u>
	<u>-</u>	<u>114</u>	<u>-</u>	<u>-</u>	<u>114</u>
Total expenditures	<u>44,177</u>	<u>30,993</u>	<u>-</u>	<u>6,150</u>	<u>81,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,902</u>	<u>(12,805)</u>	<u>57,375</u>	<u>3,793</u>	<u>80,265</u>

(continued)

City of West Bend, Iowa

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

Year ended June 30, 2011

	Special Revenue				Total
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel/ Motel Tax	
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(514)	(30,000)	(6,500)	(37,014)
Total other financing sources (uses)	-	(514)	(30,000)	(6,500)	(37,014)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	31,902	(13,319)	27,375	(2,707)	43,251
Fund balances beginning of year	93,647	22,475	99,230	19,532	234,884
Fund balances end of year	\$ 125,549	9,156	126,605	16,825	278,135

See accompanying independent auditor's report.

Combining Schedule of Net Assets

Nonmajor Proprietary Funds

June 30, 2011

	<u>Business-Type Activities</u>		
	<u>Meter</u>		<u>Total</u>
	<u>Deposit</u>	<u>Garbage</u>	
Assets			
Current assets:			
Cash	\$ 6,068	32,978	39,046
Accounts receivable	-	19,388	19,388
Interest receivable	-	4	4
	<u>6,068</u>	<u>52,370</u>	<u>58,438</u>
Total assets	<u>6,068</u>	<u>52,370</u>	<u>58,438</u>
Liabilities			
Current liabilities:			
Accounts payable	-	10,727	10,727
Consumer deposits	6,068	-	6,068
	<u>6,068</u>	<u>10,727</u>	<u>16,795</u>
Total liabilities	<u>6,068</u>	<u>10,727</u>	<u>16,795</u>
Net assets			
Unrestricted	-	41,643	41,643
	<u>-</u>	<u>41,643</u>	<u>41,643</u>
Total net assets	<u>\$ -</u>	<u>41,643</u>	<u>41,643</u>

See accompanying independent auditor's report.

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

Nonmajor Proprietary Funds

For the Year ended June 30, 2011

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Operating revenues:			
Charges for service	\$ -	132,317	132,317
Total operating revenues	<u>-</u>	<u>132,317</u>	<u>132,317</u>
Operating expenses:			
Business type activities:			
Contractual services	-	123,343	123,343
Other supplies and expenses	-	3,479	3,479
Total operating expenses	<u>-</u>	<u>126,822</u>	<u>126,822</u>
Operating income (loss)	-	5,495	5,495
Non-operating revenues (expenses):			
Interest and investment revenue	-	94	94
Total non-operating revenue (expenses)	<u>-</u>	<u>94</u>	<u>94</u>
Change in net assets	-	5,589	5,589
Net assets beginning of year	-	36,054	36,054
Net assets end of year	<u>\$ -</u>	<u>41,643</u>	<u>41,643</u>

See accompanying independent auditor's report.

City of West Bend, Iowa

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

For the Last Eight Years

	Modified Accrual Basis		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:			
Property tax	\$ 218,889	227,178	222,728
Tax increment financing revenue	247,497	240,529	229,553
Other city tax	101,249	101,127	105,935
Licenses and permits	1,542	2,167	2,967
Use of money and property	11,979	13,114	15,589
Intergovernmental	256,034	307,794	174,204
Charges for service	21,454	17,823	16,224
Miscellaneous	26,261	33,410	33,456
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 884,905</u>	<u>943,142</u>	<u>800,656</u>
Expenditures:			
Operating:			
Public safety	\$ 134,124	82,921	189,618
Public works	464,040	162,591	508,678
Health and social services	4,000	-	-
Culture and recreation	168,317	179,573	164,467
Community and economic development	56,364	247,509	205,688
General government	44,927	34,787	35,159
Debt service	160,995	114,950	113,647
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,032,767</u>	<u>822,331</u>	<u>1,217,257</u>

See accompanying independent auditor's report.

Schedule 5

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
200,680	210,299	209,722	201,365	193,519
154,555	158,828	146,977	134,041	94,079
99,455	104,198	56,917	62,266	56,931
2,855	3,099	3,230	3,115	3,283
21,571	18,998	13,292	7,584	5,899
195,474	124,653	210,543	152,098	238,550
13,658	12,393	11,903	9,943	8,478
20,319	33,591	49,462	30,831	21,455
<u>708,567</u>	<u>666,059</u>	<u>702,046</u>	<u>601,243</u>	<u>622,194</u>
73,716	96,037	68,924	76,435	91,467
177,446	641,513	109,412	238,622	178,388
-	-	-	-	-
126,017	135,020	123,805	145,456	131,270
157,325	163,820	169,720	102,183	175,995
34,072	37,661	45,570	37,267	30,803
112,047	119,130	142,227	168,150	87,203
<u>680,623</u>	<u>1,193,181</u>	<u>659,658</u>	<u>768,113</u>	<u>695,126</u>

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Water Utility
 Years ended June 30, 2011 and 2010

Schedule 6

	<u>6-30-11</u>	<u>6-30-10</u>
Operating revenues:		
Metered sales	\$ 95,357	96,501
Miscellaneous	<u>6,990</u>	<u>6,876</u>
Total operating revenue	<u>102,347</u>	<u>103,377</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	14,388	14,167
Payroll taxes and benefits	6,522	5,883
Utilities	10,466	9,631
Salt and supplies	18,846	19,360
Building and equipment maintenance	5,970	11,354
Insurance	2,479	2,330
Professional fees	610	-
Miscellaneous	<u>3,926</u>	<u>1,978</u>
	<u>63,207</u>	<u>64,703</u>
Depreciation:		
Water tower	8,918	8,918
Treatment plant	50,696	46,270
Equipment	<u>288</u>	<u>501</u>
	<u>59,902</u>	<u>55,689</u>
Total operating expenses	<u>123,109</u>	<u>120,392</u>
Operating income (loss)	<u>(20,762)</u>	<u>(17,015)</u>
Non-operating revenues (expenses):		
Interest income	366	236
Interest expense	<u>(1,521)</u>	<u>(1,927)</u>
Total non-operating revenues (expenses)	<u>(1,155)</u>	<u>(1,691)</u>
Net income (loss) before operating transfer	(21,917)	(18,706)
Interfund transfer	<u>166,885</u>	<u>99,700</u>
Net income	<u>\$ 144,968</u>	<u>80,994</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Sewer Utility
 Years ended June 30, 2011 and 2010

Schedule 7

	<u>6-30-11</u>	<u>6-30-10</u>
Operating revenues:		
Sewer rental charges	\$ 136,707	136,052
Miscellaneous	<u>40</u>	<u>40</u>
Total operating revenue	<u>136,747</u>	<u>136,092</u>
 Operating expenses:		
Distribution system maintenance:		
Salaries	14,388	14,168
Payroll taxes and benefits	6,522	5,883
Utilities	1,848	1,682
Maintenance and repair	13,927	13,455
Insurance	830	993
Supplies	535	507
Amortization	413	413
Miscellaneous	<u>1,062</u>	<u>422</u>
	<u>39,525</u>	<u>37,523</u>
 Depreciation:		
Furniture and fixtures	1,071	1,071
Vehicles	2,000	2,000
Sewer plant	<u>67,722</u>	<u>67,722</u>
	<u>70,793</u>	<u>70,793</u>
Total operating expenses	<u>110,318</u>	<u>108,316</u>
 Operating income	<u>26,429</u>	<u>27,776</u>
 Non-operating revenues (expenses):		
Interest income	4,445	4,200
Interest expense	<u>(9,793)</u>	<u>(10,890)</u>
Total non-operating revenues (expenses)	<u>(5,348)</u>	<u>(6,690)</u>
 Net income before operating transfer	21,081	21,086
Interfund transfer	<u>(115)</u>	<u>(300)</u>
 Net income	<u>\$ 20,966</u>	<u>20,786</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Electric Utility
Years ended June 30, 2011 and 2010

Schedule 8

	<u>6-30-11</u>	<u>6-30-10</u>
Operating revenues:		
Metered sales	\$ 1,189,827	1,124,054
Miscellaneous	<u>13,110</u>	<u>35,638</u>
Total operating revenue	<u>1,202,937</u>	<u>1,159,692</u>
Operating expenses:		
Production:		
Salaries	32,788	34,792
Payroll taxes and benefits	13,430	8,793
Utilities	15,125	11,904
Electric energy purchased	469,869	427,767
Maintenance - Plant, building, engines	11,732	16,600
Walter Scott power plant	<u>50,871</u>	<u>45,597</u>
	<u>593,815</u>	<u>545,453</u>
Distribution system maintenance:		
Salaries	21,308	19,745
Payroll taxes and benefits	5,189	6,600
Lines, poles, towers, conductors, meters, etc.	39,628	56,912
Telephone and radio	789	711
Motor vehicles	11,662	10,600
Supplies	9,897	3,042
Maintenance - Building	<u>546</u>	<u>1,091</u>
	<u>89,019</u>	<u>98,701</u>
Collection and accounting:		
Salaries	38,417	36,175
Payroll taxes and benefits	13,881	12,469
Office supplies	3,364	3,192
Programming	<u>2,681</u>	<u>2,492</u>
	<u>58,343</u>	<u>54,328</u>
Administrative:		
Salaries	25,135	20,821
Payroll taxes and benefits	9,206	10,609
Professional fees	6,610	7,389

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Electric Utility
 Years ended June 30, 2011 and 2010

Schedule 8

	<u>6-30-11</u>	<u>6-30-10</u>
Operating expenses (continued):		
Administrative (continued):		
Insurance	29,007	28,081
Telephone and radio	1,498	1,677
Miscellaneous taxes	2,258	1,313
Property taxes	10,845	11,124
Amortization	608	608
Miscellaneous	<u>11,519</u>	<u>15,139</u>
	<u>96,686</u>	<u>96,761</u>
Depreciation:		
Buildings	321	334
Generating plant and equipment	92,334	92,334
Distribution system	66,911	77,136
Furniture and fixtures	7,426	7,657
Vehicles	<u>2,772</u>	<u>10,568</u>
	<u>169,764</u>	<u>188,029</u>
Total operating expenses	<u>1,007,627</u>	<u>983,272</u>
Operating income	195,310	176,420
Non-operating revenues (expenses):		
Interest income	10,172	10,175
Interest expense	<u>(50,235)</u>	<u>(52,508)</u>
Total non-operating revenues (expenses)	<u>(40,063)</u>	<u>(42,333)</u>
Net income before operating transfers	155,247	134,087
Interfund transfer	<u>(32,516)</u>	<u>(32,120)</u>
Net income	<u>\$ 122,731</u>	<u>101,967</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2011 and 2010

Schedule 9

	<u>6-30-11</u>	<u>6-30-10</u>
Operating revenues:		
Metered sales	\$ 888,195	930,451
Miscellaneous	<u>6,482</u>	<u>2,056</u>
Total operating revenue	<u>894,677</u>	<u>932,507</u>
Operating expenses:		
Production:		
Cost of gas purchased	<u>551,216</u>	<u>544,099</u>
Distribution system maintenance:		
Salaries	27,175	25,346
Payroll taxes and benefits	8,910	8,065
Utilities	3,222	3,419
Meters, mains, valves	8,467	26,713
Equipment and building repairs	1,893	1,277
Miscellaneous	<u>2,767</u>	<u>1,269</u>
	<u>52,434</u>	<u>66,089</u>
Collection and accounting:		
Salaries	36,386	36,175
Payroll taxes and benefits	13,881	12,469
Office supplies	3,370	3,150
Professional fees	<u>2,549</u>	<u>2,492</u>
	<u>56,186</u>	<u>54,286</u>
Administrative:		
Salaries	25,296	24,571
Payroll taxes and benefits	11,092	10,164
Insurance	5,243	4,751
Professional fees	4,146	5,125
Telephone	1,498	1,677
Meetings and travel	1,783	2,329
Dues	2,416	2,404
Miscellaneous	<u>7,882</u>	<u>6,919</u>
	<u>59,356</u>	<u>57,940</u>

(continued)

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2011 and 2010

Schedule 9

	<u>6-30-11</u>	<u>6-30-10</u>
Operating expenses (continued):		
Depreciation:		
Buildings	5	208
Distribution systems	3,352	3,064
Furniture and fixtures	964	1,252
Vehicles	<u>4,179</u>	<u>4,179</u>
	<u>8,500</u>	<u>8,703</u>
Total operating expenses	<u>727,692</u>	<u>731,117</u>
Operating income	166,985	201,390
Non-operating revenues (expenses):		
Interest income	<u>13,969</u>	<u>19,486</u>
Total non-operating revenues (expenses)	<u>13,969</u>	<u>19,486</u>
Net income before operating transfers	180,954	220,876
Interfund transfer	<u>(185,749)</u>	<u>(75,351)</u>
Net income	<u>\$ (4,795)</u>	<u>145,525</u>

See accompanying independent auditor's report.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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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 Bend, 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 October 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Bend's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of West Bend's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Bend's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of West Bend's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-C-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-A-11 and I-B-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Bend's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under Government Auditing Standards and which are described in Part II of 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 Bend's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of West Bend's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Bend and other parties to whom the City of West Bend may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

October 17, 2011

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-11 Financial Reporting – During the audit, we noted that material balance sheet items Such as accounts receivable, accounts payable, capital asset additions and long term debt changes were not adjusted to actual. Adjustments have subsequently been made by the City to properly include these amounts in the financial statements.

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

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

Conclusion – Response accepted.

I-B-11 Preparation of Financial Statements, Including Disclosures to Financial Statements - Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of West Bend does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit, requires us to communicate this matter with those charged with governance.

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

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2011

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

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

Conclusion – Response accepted.

I-C-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated, such as preparing receipts and posting utility billing and processing payroll and bank reconciliations.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We feel we are doing the best we can with the limited personnel we have.

Conclusion – Response acknowledged.

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2011

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.
- II-B-11 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-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 – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bruce Helleseeth, Council Member, Owner of Helleseeth Construction	Street Repairs	\$ 564

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

- II-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- II-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- II-H-11 Revenue Bonds/Notes – The provisions of the resolutions for the issuance of the City’s revenue bonds/notes were complied with.

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2011

II-I-11 Deficit Balances – The Special Revenue TIF fund had a deficit balance of \$139,594 at June 30, 2011.

Recommendation – City officials should review this fund balance.

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

Conclusion – Response accepted.