

City of West Burlington

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

June 30, 2012

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City of West Burlington

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hans Trousil	Mayor	December, 2013
Rod Crowner	Council Member	December, 2015
Therese Lees	Council Member	December, 2015
Richard Raleigh	Council Member	December, 2015
Kara Steward	Council Member	December, 2013
Dan West	Council Member	December, 2013
Dan Gifford	City Administrator	Not Elected
Leslie Sattler	Finance Officer	Not Elected
Kelly Fry	City Clerk	Not Elected



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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, Iowa (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Burlington'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 ten years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the City's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 24 and 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

CPA Associates PC

October 17, 2012

City of West Burlington Management's Discussion and Analysis

The City of West Burlington (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 42%, or \$3,650,254, from fiscal 2011 to fiscal 2012. Bond proceeds of \$3,465,000 were received in fiscal 2011.
- Disbursements of the City's governmental activities increased 19%, or \$1,265,991, from fiscal 2011 to fiscal 2012. Capital projects increased \$1,749,887 in fiscal 2012.
- The City's total cash basis net assets decreased 59%, or \$3,021,993, from June 30, 2011 to June 30, 2012. The decrease is due to bond proceeds received in fiscal 2011 that were spent on capital projects in fiscal 2012.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Other Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

City of West Burlington Management's Discussion and Analysis

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Sales Tax and TIF, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Other Nonmajor Governmental Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$4,611,851 to \$1,769,958. The analysis that follows focuses on the changes in cash balance for governmental activities.

	Year Ended June 30,	
Changes in Cash Basis Net Assets of Governmental Activities	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for services	\$ 543,242	\$ 437,524
Operating grants, contributions and restricted interest	428,121	765,139
Capital grants, contributions and restricted interest	87,417	-
General receipts:		
Property tax	2,944,582	3,028,607
Local option sales tax	507,943	492,411
Use of money and property	62,659	86,253
Other general receipts	438,064	387,348
Bond proceeds	-	3,465,000
Total receipts	<u>5,012,028</u>	<u>8,662,282</u>
Disbursements:		
Public safety	1,714,660	2,292,531
Public works	549,885	629,415
Culture and recreation	291,914	255,802
Community and economic development	731,704	781,084
General government	576,347	424,320
Debt service	1,742,163	1,707,417
Capital projects	<u>2,351,135</u>	<u>601,248</u>
Total disbursements	<u>7,957,808</u>	<u>6,691,817</u>
Change in cash basis net assets before transfers	(2,945,780)	1,970,465
Transfers net	<u>103,887</u>	<u>382,806</u>
Change in cash basis net assets	(2,841,893)	2,353,271
Cash basis net assets beginning of year	<u>4,611,851</u>	<u>2,258,580</u>
Cash basis net assets end of year	<u>\$ 1,769,958</u>	<u>\$ 4,611,851</u>

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

The City's total receipts for governmental activities decreased by 42%, or \$3,650,254. This was mainly due to bond proceeds of \$3,465,000 for capital projects consisting of storm water and streets and the purchase of fire vehicles and equipment in fiscal 2011. The total cost of all programs and services increased by \$1,265,991 or 19%, with no new programs added this year.

The cost of all governmental activities this year was \$7,957,808 compared to \$6,691,817 last year. However, as shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was \$6,899,028 because some of the cost was paid by those who directly benefited from the programs by (\$543,242) or by other governments and organizations that subsidized certain programs with grants and contributions by (\$515,538). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in 2012 from \$1,202,663 to \$1,058,780.

	Year Ended June 30,	
	<u>2012</u>	<u>2011</u>
Changes in Cash Basis Net Assets of Business Type Activities		
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 758,083	\$ 721,460
Sewer	502,014	467,097
General receipts:		
Unrestricted investment earnings	320	220
Miscellaneous receipts	<u>41,512</u>	<u>34,088</u>
Total receipts	<u>1,301,929</u>	<u>1,222,865</u>
Disbursements:		
Water	781,600	744,773
Sewer	<u>596,542</u>	<u>479,503</u>
Total disbursements	<u>1,378,142</u>	<u>1,224,276</u>
Change in cash basis net assets before transfer	(76,213)	(1,411)
Transfers, net	<u>(103,887)</u>	<u>(382,806)</u>
Change in cash basis net assets	(180,100)	(384,217)
Cash basis net assets beginning of year	<u>547,682</u>	<u>931,899</u>
Cash basis net assets end of year	<u>\$ 367,582</u>	<u>\$ 547,682</u>

Total business type activities receipts for the fiscal year were \$1,301,929 compared to \$1,222,865 last year. The cash balance decreased by \$180,100. Total disbursements for the fiscal year increased by 13%. Revenues were increased in both water and sewer due to rate increases in fiscal 2012. Sewer expenditures increased due to equipment purchases and sewer equipment repairs of approximately \$177,000.

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

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$1,718,227, a decrease of \$2,893,624 from last year's total of \$4,611,851. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$788,208, a decrease of \$46,253 from the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$45,717 to \$52,140 during the fiscal year. State road tax funds are distributed based upon population. The City received additional funds for a transfer of jurisdiction agreement, which allowed the City to do more street projects.
- The Special Revenue, Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. This year the City transferred 47% of these Local Option Sales Tax revenues to the General Fund. The City is required to use 25% of the Local Option Sales Tax proceeds for property tax relief to pay off outstanding general obligation debt. The remainder is used to pay for capital projects, equipment, library services ambulance service, and to make airport authority payments. There were also internal loans of \$72,500 borrowed from this fund for capital projects and economic development to be repaid over a 5 year period. At the end of the fiscal year, the fund balance was \$208,032.
- The Special Revenue, Tax Increment Financing collections (TIF) decreased by \$393,713 to \$266,628 during the fiscal year due to an internal loan of \$210,000 and the recall of an Urban Renewal Tax Increment Revenue Bond of \$165,000.
- The Capital Projects Fund cash balance decreased by \$2,400,078 to \$323,073 during the fiscal year. This decrease is primarily due to the GO bonds issued in fiscal 2011 for storm sewer projects, street projects, and equipment purchases that were expended in fiscal 2012.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Service Fund cash balance decreased \$63,779 to \$114,339, due to an internal loan of \$115,000 for a TIF project. The loans will be repaid over a three year period beginning in fiscal year 2015.
- The Sewer Service Fund cash balance decreased \$78,361 to \$66,491 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 16, 2012 and resulted in an increase in revenues of \$670,041 and an increase in disbursements of \$4,842,520. Revenue increases included intergovernmental, licenses and permits, charges for services, and miscellaneous. Expenditure increases included public safety, public works, general government, capital projects, culture and recreation, business type activities, community and economic development, and debt service.

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

DEBT ADMINISTRATION

At June 30, 2012, the City had \$5,485,000 in bonds and other long-term debt, compared to \$7,001,000 last year, as shown below.

	June 30,	
Outstanding Debt at Year End	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 5,173,000	\$ 6,509,000
Water revenue loan	312,000	327,000
Urban renewal tax increment financing	<u>-</u>	<u>165,000</u>
Total	<u>\$ 5,485,000</u>	<u>\$ 7,001,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's general obligation debt of \$5,173,000 and tax increment financing rebate agreements of \$1,267,018 brings the City's combined outstanding GO and TIF debt to \$6,440,018, which is below its constitutional debt limit of approximately \$10.60 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2013 fiscal year budget, tax rates, and fees that will be charged for various City activities. Those factors included the economy, employment rates, operating expenses, capital projects, and increases in service and state mandates. Unemployment in the County now stands at 6.1% versus 7.0% a year ago. These indicators were taken into account when adopting the budget for fiscal 2013.

In fiscal 2013, receipts are projected to decrease by 1.45% or approximately \$90,825 and disbursements are projected to decrease by 9.6% or approximately \$890,715. The projected decrease in expenditures is due to capital projects. The projected decrease in receipts does not include revenues from FEMA grants, loan proceeds, or transfers. The City also increased the rates for garbage, recycling, water and sewer.

The City is maintaining the current tax levy of \$9.80 per \$1,000 of taxable assessed valuation. The City is requesting a reduction in the taxable assessed value in the TIF area to \$12 million for fiscal 2013, which is expected to result in an increase of approximately \$200,000 in TIF revenues. Projected TIF debt service revenues are \$2,322,815 with expenditures of \$2,102,146.

The general fund expenditures are projected to exceed revenues by \$367,529, not including internal loan repayments of \$155,518. The City has enough reserves to cover the projected deficit. Water expenditures are projected to exceed revenues by \$36,390, not including an internal loan payment of \$143,710. The sewer fund is projected to have a surplus of \$13,877 and a repayment of an internal loan of \$24,568.

The local option sales tax balance will increase by \$51,128 of which \$45,290 is for repayment of an internal loan. The City will be borrowing internally for a west lift station improvement project for about \$360,000. The City could incur additional debt as it plans to possibly build a new public works building.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

City of West Burlington
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2012

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,714,660	\$ 129,198	\$ 93,257	\$ 915	\$ (1,491,290)	\$ -	\$ (1,491,290)
Public works	549,885	155,454	295,564	-	(98,867)	-	(98,867)
Culture and recreation	291,914	136,473	28,418	-	(127,023)	-	(127,023)
Community and economic development	731,704	122,117	-	-	(609,587)	-	(609,587)
General government	576,347	-	10,882	86,502	(478,963)	-	(478,963)
Debt service	1,742,163	-	-	-	(1,742,163)	-	(1,742,163)
Capital projects	<u>2,351,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,351,135)</u>	<u>-</u>	<u>(2,351,135)</u>
Total governmental activities	<u>7,957,808</u>	<u>543,242</u>	<u>428,121</u>	<u>87,417</u>	<u>(6,899,028)</u>	<u>-</u>	<u>(6,899,028)</u>
Business type activities:							
Water	781,600	758,083	-	-	-	(23,517)	(23,517)
Sewer	<u>596,542</u>	<u>502,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,528)</u>	<u>(94,528)</u>
Total business type activities	<u>1,378,142</u>	<u>1,260,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,045)</u>	<u>(118,045)</u>
Total	<u>\$ 9,335,950</u>	<u>\$ 1,803,339</u>	<u>\$ 428,121</u>	<u>\$ 87,417</u>	<u>(6,899,028)</u>	<u>(118,045)</u>	<u>(7,017,073)</u>
General Receipts:							
Property tax levied for:							
General purposes					881,033	-	881,033
Debt service					13	-	13
Tax increment financing					2,063,536	-	2,063,536
Local option sales tax					507,943	-	507,943
Unrestricted investment earnings					62,659	320	62,979
Transfers					103,887	(103,887)	-
Miscellaneous					<u>438,064</u>	<u>41,512</u>	<u>479,576</u>
Total general receipts and transfers					<u>4,057,135</u>	<u>(62,055)</u>	<u>3,995,080</u>
Change in cash basis net assets					(2,841,893)	(180,100)	(3,021,993)
Cash basis net assets beginning of year					<u>4,611,851</u>	<u>547,682</u>	<u>5,159,533</u>
Cash basis net assets end of year					<u>\$ 1,769,958</u>	<u>\$ 367,582</u>	<u>\$ 2,137,540</u>
Cash Basis Net Assets							
Restricted:							
Expendable					\$ 711,499	\$ 188,930	\$ 900,429
Unrestricted					<u>1,058,459</u>	<u>178,652</u>	<u>1,237,111</u>
Total cash basis net assets					<u>\$ 1,769,958</u>	<u>\$ 367,582</u>	<u>\$ 2,137,540</u>

See notes to financial statements.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2012

	Special Revenue						Other Nonmajor Governmental	Total
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects		
Receipts:								
Property tax	\$ 876,267	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ 159,735	\$ 1,036,015
Tax increment financing collections	-	-	-	2,063,536	-	-	-	2,063,536
Other taxes	4,766	-	507,943	-	-	-	35,295	548,004
Use of money and property	62,279	-	-	-	380	-	-	62,659
License and permits	103,477	-	-	-	-	-	-	103,477
Intergovernmental	268,806	295,564	-	-	-	-	-	564,370
Charges for services	256,167	-	-	-	-	-	-	256,167
Miscellaneous	228,573	-	-	-	-	-	97,496	326,069
Total receipts	<u>1,800,335</u>	<u>295,564</u>	<u>507,943</u>	<u>2,063,536</u>	<u>393</u>	<u>-</u>	<u>292,526</u>	<u>4,960,297</u>
Disbursements:								
Operating:								
Public safety	1,311,208	-	16,225	-	-	387,227	-	1,714,660
Public works	279,243	231,593	31,540	-	-	7,509	-	549,885
Culture and recreation	243,240	-	2,700	-	-	-	45,974	291,914
Community and economic development	181,753	-	-	549,951	-	-	-	731,704
General government	347,683	-	4,648	-	-	3,333	220,683	576,347
Debt service	-	-	-	166,482	1,575,681	-	-	1,742,163
Capital projects	-	10,187	1,874	312,627	-	2,026,447	-	2,351,135
Total disbursements	<u>2,363,127</u>	<u>241,780</u>	<u>56,987</u>	<u>1,029,060</u>	<u>1,575,681</u>	<u>2,424,516</u>	<u>266,657</u>	<u>7,957,808</u>
Excess (deficiency) of receipts over disbursements	(562,792)	53,784	450,956	1,034,476	(1,575,288)	(2,424,516)	25,869	(2,997,511)
Other financing sources (uses):								
Operating transfers in (out)	<u>516,539</u>	<u>(8,067)</u>	<u>(523,984)</u>	<u>(1,428,189)</u>	<u>1,573,191</u>	<u>24,438</u>	<u>(50,041)</u>	<u>103,887</u>
Net change in cash balances	(46,253)	45,717	(73,028)	(393,713)	(2,097)	(2,400,078)	(24,172)	(2,893,624)
Cash balances beginning of year	<u>834,461</u>	<u>6,423</u>	<u>281,060</u>	<u>660,341</u>	<u>8,815</u>	<u>2,723,151</u>	<u>97,600</u>	<u>4,611,851</u>
Cash balances end of year	<u>\$ 788,208</u>	<u>\$ 52,140</u>	<u>\$ 208,032</u>	<u>\$ 266,628</u>	<u>\$ 6,718</u>	<u>\$ 323,073</u>	<u>\$ 73,428</u>	<u>\$ 1,718,227</u>
Cash Basis Fund Balances								
Restricted	\$ -	\$ 52,140	\$ 208,032	\$ 266,628	\$ 6,718	\$ -	\$ 19,543	\$ 553,061
Committed	8,035	-	-	-	-	150,403	-	158,438
Assigned	216,011	-	-	-	-	172,670	53,885	442,566
Unassigned	564,162	-	-	-	-	-	-	564,162
Total cash basis fund balances	<u>\$ 788,208</u>	<u>\$ 52,140</u>	<u>\$ 208,032</u>	<u>\$ 266,628</u>	<u>\$ 6,718</u>	<u>\$ 323,073</u>	<u>\$ 73,428</u>	<u>\$ 1,718,227</u>

See notes to financial statements.

City of West Burlington
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets
Governmental Funds
As of and for the Year Ended June 30, 2012

Total governmental funds cash balances (page 12) \$ 1,718,227

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

The Internal Service Fund is used by management to charge the costs 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 Activities and Net Assets.

51,731

Cash basis net assets of governmental activities (page 11) \$ 1,769,958

Net change in cash balances (page 12) \$(2,893,624)

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

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

(51,731)

Change in cash basis net assets of governmental activities (page 11) \$ (2,841,893)

See notes to financial statements.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2012

	Enterprise Funds					Total	Internal Service
	Water Health	Water Equipment Reserve	Sewer Health	Sewer Equipment Reserve	Nonmajor Enterprise Fund		Employee Health
Operating Receipts:							
Charges for services	\$ 758,083	\$ -	\$ 502,014	\$ -	\$ -	\$1,260,097	\$ 136,314
Total operating receipts	<u>758,083</u>	<u>-</u>	<u>502,014</u>	<u>-</u>	<u>-</u>	<u>1,260,097</u>	<u>136,314</u>
Operating Disbursements:							
General government	-	-	-	-	-	-	84,583
Business type activities	743,139	-	502,233	-	703	1,246,075	-
Total operating disbursements	<u>743,139</u>	<u>-</u>	<u>502,233</u>	<u>-</u>	<u>703</u>	<u>1,246,075</u>	<u>84,583</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>14,944</u>	<u>-</u>	<u>(219)</u>	<u>-</u>	<u>(703)</u>	<u>14,022</u>	<u>51,731</u>
Non-operating receipts (disbursements):							
Interest on investments	320	-	-	-	-	320	-
Miscellaneous	12,539	-	2,845	10,000	16,831	42,215	-
Debt proceeds	-	-	-	-	-	-	-
Debt service	(25,628)	-	-	-	-	(25,628)	-
Capital projects	-	(12,833)	(90,976)	(3,333)	-	(107,142)	-
Net non-operating receipts (disbursements)	<u>(12,769)</u>	<u>(12,833)</u>	<u>(88,131)</u>	<u>6,667</u>	<u>16,831</u>	<u>(90,235)</u>	<u>-</u>
Excess of receipts over disbursements	2,175	(12,833)	(88,350)	6,667	16,128	(76,213)	51,731
Operating transfers in (out)	<u>(65,954)</u>	<u>(37,922)</u>	<u>9,989</u>	<u>(10,000)</u>	<u>-</u>	<u>(103,887)</u>	<u>-</u>
Net change in cash balances	(63,779)	(50,755)	(78,361)	(3,333)	16,128	(180,100)	51,731
Cash balances beginning of year, restated	<u>178,118</u>	<u>123,933</u>	<u>144,852</u>	<u>10,000</u>	<u>90,779</u>	<u>547,682</u>	<u>-</u>
Cash balances end of year	<u>\$ 114,339</u>	<u>\$ 73,178</u>	<u>\$ 66,491</u>	<u>\$ 6,667</u>	<u>\$ 106,907</u>	<u>\$ 367,582</u>	<u>\$ 51,731</u>
Cash Basis Fund Balances							
Restricted for other purposes	\$ -	\$ 73,178	\$ -	\$ 6,667	\$ 106,907	\$ 186,752	\$ -
Restricted for debt service	2,178	-	-	-	-	2,178	-
Unrestricted	<u>112,161</u>	<u>-</u>	<u>66,491</u>	<u>-</u>	<u>-</u>	<u>178,652</u>	<u>51,731</u>
Total cash basis fund balances	<u>\$ 114,339</u>	<u>\$ 73,178</u>	<u>\$ 66,491</u>	<u>\$ 6,667</u>	<u>\$ 106,907</u>	<u>\$ 367,582</u>	<u>\$ 51,731</u>

See notes to financial statements.

City of West Burlington
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Jointly Governed Organizations

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

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

Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. This category includes the restricted and committed governmental cash basis fund balances.

City of West Burlington
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

City of West Burlington
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

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

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Measurement Focus and Basis of Accounting

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

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

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

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

Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

Subsequent Events

The City performed an evaluation of subsequent events through October 17, 2012, which is the date the financial statements were issued. There were no subsequent events that required disclosure or recognition in the financial statements as of June 30, 2012.

Note 2. Cash and Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of GASB No. 40.

Note 3. Bonds and Notes Payable

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

Year Ending June 30.	<u>General Obligation Bonds</u>		<u>Water Revenue Note</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$1,397,000	\$ 95,355	\$ 16,000	\$ 9,360	\$1,413,000	\$ 104,715
2014	1,402,000	77,020	16,000	8,880	1,418,000	85,900
2015	773,000	56,610	16,000	8,400	789,000	65,010
2016	778,000	40,595	17,000	7,920	795,000	48,515
2017	124,000	24,293	17,000	7,410	141,000	31,703
2017-2021	553,000	66,100	96,000	28,890	649,000	94,990
2022-2026	120,000	14,880	110,000	13,680	230,000	28,560
2027-2028	<u>26,000</u>	<u>780</u>	<u>24,000</u>	<u>720</u>	<u>50,000</u>	<u>1,500</u>
	<u>\$5,173,000</u>	<u>\$ 375,633</u>	<u>\$ 312,000</u>	<u>\$ 85,260</u>	<u>\$5,485,000</u>	<u>\$ 460,893</u>

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

City of West Burlington
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

General Obligation Bonds use for Urban Renewal Projects

The City issued a general obligation bond in April 2011 for the purposes of defraying a portion of the costs of carrying out a capital project in an urban renewal area and a refurbished squad. The portion of the bond related to the capital project is payable from general property taxes on all taxable property within the City. The City certified \$2,591,672 of this obligation with the county auditor as tax increment financing. The debt is subject to the constitutional debt limitation of the City.

During the year ended June 30, 2012, the City issued \$1,625,000 of General Obligation Urban Renewal Refunding Bonds. The bonds repaid the remaining balance of the Aquatic Center Bonds issued in October 2007.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bond. The bond was issued August 2008. Proceeds from the notes provided financing for the construction of several water system projects. The note is payable solely from water customer net receipts and is payable through 2028. The total principal and interest remaining to be paid on the notes is \$397,260. For the current year, principal and interest paid and total customer net receipts (disbursements) were \$24,810 and \$14,944, respectively.

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

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

The City has not maintained water user charges at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year as required by the water revenue bond resolution.

Development Agreements

The City has entered into an agreement with Shottenkirk Partnership, L.P. (Developer) providing reimbursements from the City to the Developer based upon a 20 year agreement. The Developer has installed streets, sewers, curbing, and other utilities at a cost of \$1.2 million. The City will reimburse the Developer using an assumed amortization of 20 years at a rate of 5.70%. The City's payment will not exceed the increase in property taxes on the valuation of the land. At the end of the 20 year period, the agreement will cease, and the City will not continue payments regardless of any principal due at that time. The City's interest cost for the year ended June 30, 2012 was \$23,961, with \$124,094 applied to the principal.

City of West Burlington
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

The City has entered into two other similar agreements with Shottenkirk Partnership, L.P. and Park West Estates, LLC, with a combined cost of approximately \$961,000. The City's interest cost for the year ended June 30, 2012 was \$63,480, with \$60,966 principal applied. The terms for these agreements are 10 years, using interest rate assumptions of 5.70% to 6.75%.

Note 4. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll, except for police and fire employees, in which case the percentages are 6.65% and 9.97%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$111,795, \$101,755, and \$95,569, respectively, equal to the required contribution for each year.

Note 5. Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 22 active members and no retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$614 for single coverage and \$1,232 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$312,060 and plan members eligible for benefits contributed \$22,013 to the plan.

City of West Burlington
Notes to Financial Statements

Note 6. Self-Insured Health Benefits

The City of West Burlington has agreed to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance for all full-time employees selecting single coverage. For full-time employees selecting family coverage, the union employees pay 26% of the difference between the single and the family policy and non-union employees pay 6% of the difference between the single and family policy. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$300 per individual and \$600 per family. The total maximum reimbursement liability to be paid by the City is \$96,800. The City's cost related to this reimbursement for the year ended June 30, 2012 was approximately \$64,133.

Note 7. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2012, primarily relating to the General Fund, is \$94,034 based on rates of pay in effect at June 30, 2012.

Note 8. Risk Management

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

Note 9. Commitments

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

Storm sewer improvements	\$	55,934
Mall road engineering and construction		44,300
Storm water & sewer improvements		32,973
Lift station upgrade engineering		15,800

Note 10. Related Party Transactions

The City had business transactions between the City and City officials totaling \$210,000 during the year ended June 30, 2012.

City of West Burlington
Notes to Financial Statements

Note 11. Contract with the Burlington Municipal Waterworks

On August 16, 1995, the City of West Burlington entered into an agreement with Burlington Municipal Waterworks to provide for the sale of water to the City of West Burlington. The contract provides an initial term of twenty years, with four additional terms of five years each, unless cancelled by either party after the initial term expires. Water usage began on January 1, 1996 and expenses of \$266,909 were recorded for the year ended June 30, 2012.

Note 12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to:	
General fund	\$ 785,082
Water equipment reserve	10,000
Sewer equipment reserve	10,000
Water service	102,104
Sewer service	65,000
Capital projects	85,381
Nonmajor governmental	122,194
Tax increment financing	572,115
Debt service	<u>1,573,191</u>
	<u>\$ 3,325,067</u>
Transfer from:	
Water service	\$ 168,058
Sewer service	55,011
General fund	268,543
Water equipment reserve	47,922
Sewer equipment reserve	20,000
Capital projects	60,943
Road use	8,067
Sales tax	523,984
Nonmajor governmental	172,235
Tax increment financing	<u>2,000,304</u>
	<u>\$ 3,325,067</u>

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

City of West Burlington
Notes to Financial Statements

Note 13. Jointly Governed Organizations

The City is a participant in the Des Moines County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the eleven member board. The City paid \$37,488 in recycling fees in fiscal year 2012.

The City also participates with the City of Burlington in an agreement with the Southeast Iowa Regional Airport Authority. The City appoints one member of the five member Board of Trustees. The City contributed \$31,540 to the Airport in fiscal year 2012. There is a five year notice of cancellation requirement.

Note 14. Cash Basis Fund Balances

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2012 are as follows:

	<u>General</u>	<u>Road Use</u>	<u>Sales Tax</u>	<u>TIF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
Restricted for:								
Road use purposes	\$ -	\$ 52,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,140
Tax referendum purposes	-	-	208,032	-	-	-	-	208,032
Urban renewal projects	-	-	-	266,628	-	-	-	266,628
Debt service	-	-	-	-	6,718	-	-	6,718
Southeast Iowa Safety and Support Organization	-	-	-	-	-	-	19,543	19,543
Committed to:								
Street and storm sewer projects	-	-	-	-	-	150,403	-	150,403
Other purposes	8,035	-	-	-	-	-	-	8,035
Assigned to:								
Public safety	-	-	-	-	-	75,404	-	75,404
Public pool	-	-	-	-	-	83,233	-	83,233
Other capital projects	-	-	-	-	-	14,033	-	14,033
Other purposes	216,011	-	-	-	-	-	53,885	269,896
Unassigned	<u>564,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>564,162</u>
Total	<u>\$ 788,208</u>	<u>\$ 52,140</u>	<u>\$ 208,032</u>	<u>\$ 266,628</u>	<u>\$ 6,718</u>	<u>\$ 323,073</u>	<u>\$ 73,428</u>	<u>\$ 1,718,227</u>

OTHER INFORMATION

City of West Burlington
Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Other Information
Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 1,036,015	\$ -	\$ -	\$ 1,036,015	\$ 989,486	\$ 983,478	\$ 52,537
Tax increment financing collections	2,063,536	-	-	2,063,536	2,123,197	2,123,197	(59,661)
Other city taxes	548,004	-	-	548,004	538,532	538,266	9,738
Use of money and property	62,659	320	-	62,979	76,846	76,846	(13,867)
Licenses and permits	103,477	-	-	103,477	59,359	94,359	9,118
Intergovernmental	564,370	-	-	564,370	333,839	821,404	(257,034)
Charges for service	256,167	1,396,411	136,314	1,516,264	1,478,350	1,497,550	18,714
Miscellaneous	326,069	42,215	-	368,284	307,288	441,838	(73,554)
Total receipts	<u>4,960,297</u>	<u>1,438,946</u>	<u>136,314</u>	<u>6,262,929</u>	<u>5,906,897</u>	<u>6,576,938</u>	<u>(314,009)</u>
Disbursements:							
Public safety	1,714,660	-	-	1,714,660	1,308,943	1,768,468	53,808
Public works	549,885	-	-	549,885	629,256	663,956	114,071
Culture and recreation	291,914	-	-	291,914	243,401	305,926	14,012
Community and economic development	731,704	-	-	731,704	312,668	937,668	205,964
General government	576,347	84,583	84,583	576,347	458,354	645,674	69,327
Debt service	1,742,163	-	-	1,742,163	1,325,168	1,751,218	9,055
Capital projects	2,351,135	-	-	2,351,135	16,000	2,885,875	534,740
Business type activities	-	1,378,845	-	1,378,845	1,250,008	1,427,533	48,688
Total disbursements	<u>7,957,808</u>	<u>1,463,428</u>	<u>84,583</u>	<u>9,336,653</u>	<u>5,543,798</u>	<u>10,386,318</u>	<u>1,049,665</u>
Excess (deficiency) of receipts over disbursements	(2,997,511)	(24,482)	51,731	(3,073,724)	363,099	(3,809,380)	735,656
Other financing sources	<u>103,887</u>	<u>(103,887)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(2,893,624)	(128,369)	51,731	(3,073,724)	363,099	(3,809,380)	735,656
Cash balances beginning of year	<u>4,611,851</u>	<u>547,682</u>	<u>-</u>	<u>5,159,533</u>	<u>3,002,344</u>	<u>5,158,353</u>	<u>1,180</u>
Cash balances end of year	<u>\$ 1,718,227</u>	<u>\$ 419,313</u>	<u>\$ 51,731</u>	<u>\$ 2,085,809</u>	<u>\$ 3,365,443</u>	<u>\$ 1,348,973</u>	<u>\$ 736,836</u>

See accompanying independent auditor's report.

City of West Burlington
Notes to Other Information - Budgetary Reporting

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$4,842,520. The budget amendments are reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

City of West Burlington
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2012

	<u>Fourth of July Celebration</u>	<u>Medical Insurance</u>	<u>Hotel/Motel Tax</u>	<u>SE Iowa Safety and Support</u>	<u>Other Programs</u>	<u>Total</u>
Receipts:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 159,735	\$ 159,735
Other taxes	-	-	35,295	-	-	35,295
Miscellaneous	<u>26,310</u>	<u>1,172</u>	<u>-</u>	<u>62,703</u>	<u>7,311</u>	<u>97,496</u>
Total receipts	<u>26,310</u>	<u>1,172</u>	<u>35,295</u>	<u>62,703</u>	<u>167,046</u>	<u>292,526</u>
Disbursements:						
Culture and recreation	36,163	-	-	-	9,811	45,974
General government	<u>-</u>	<u>136,314</u>	<u>20,980</u>	<u>63,389</u>	<u>-</u>	<u>220,683</u>
Total disbursements	<u>36,163</u>	<u>136,314</u>	<u>20,980</u>	<u>63,389</u>	<u>9,811</u>	<u>266,657</u>
Excess (deficiency) of receipts over disbursements	<u>(9,853)</u>	<u>(135,142)</u>	<u>14,315</u>	<u>(686)</u>	<u>157,235</u>	<u>25,869</u>
Other financing sources (uses):						
Operating transfers in (out)	<u>10,000</u>	<u>109,694</u>	<u>(12,500)</u>	<u>-</u>	<u>(157,235)</u>	<u>(50,041)</u>
	<u>10,000</u>	<u>109,694</u>	<u>(12,500)</u>	<u>-</u>	<u>(157,235)</u>	<u>(50,041)</u>
Net change in cash balances	147	(25,448)	1,815	(686)	-	(24,172)
Cash balances beginning of year	<u>26,779</u>	<u>38,671</u>	<u>11,921</u>	<u>20,229</u>	<u>-</u>	<u>97,600</u>
Cash balances end of year	<u>\$ 26,926</u>	<u>\$ 13,223</u>	<u>\$ 13,736</u>	<u>\$ 19,543</u>	<u>\$ -</u>	<u>\$ 73,428</u>
Cash Basis Fund Balances						
Restricted	\$ -	\$ -	\$ -	\$ 19,543	\$ -	\$ 19,543
Assigned	<u>26,926</u>	<u>13,223</u>	<u>13,736</u>	<u>-</u>	<u>-</u>	<u>53,885</u>
Total cash basis fund balances	<u>\$ 26,926</u>	<u>\$ 13,223</u>	<u>\$ 13,736</u>	<u>\$ 19,543</u>	<u>\$ -</u>	<u>\$ 73,428</u>

See accompanying independent auditor's report.

**City of West Burlington
Statement of Indebtedness
Year Ended June 30, 2012**

Obligation	Date of Issuance	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Aquatic center bonds	10/01/07	3.80-4.05%	\$ 4,200,000	\$ 2,335,000	\$ -	\$ 2,335,000	\$ -	\$ 93,430	\$ -
Water improvement loan agreement	8/27/08	3.00%	400,000	354,000	-	16,000	338,000	10,620	-
Water improvement bond	3/01/09	2.00-2.40%	850,000	290,000	-	290,000	-	6,960	-
Property acquisition note	4/30/10	2.50%	260,000	65,000	-	65,000	-	1,566	-
Street and storm sewer improvement note	4/15/11	2.00-3.00%	2,715,000	2,715,000	-	190,000	2,525,000	63,043	-
Aerial fire truck note	5/04/11	2.50-3.20%	750,000	750,000	-	65,000	685,000	21,427	-
Urban renewal refunding bonds	8/24/11	0.75-1.00%	1,625,000	-	<u>1,625,000</u>	<u>-</u>	<u>1,625,000</u>	<u>-</u>	<u>-</u>
Total				<u>\$ 6,509,000</u>	<u>\$ 1,625,000</u>	<u>\$ 2,961,000</u>	<u>\$ 5,173,000</u>	<u>\$ 197,046</u>	<u>\$ -</u>
Water revenue note:									
Water revenue bond	8/20/08	3.00%	\$ 330,000	<u>\$ 327,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 312,000</u>	<u>\$ 9,810</u>	<u>\$ -</u>
Urban renewal TIF revenue bond:									
Series 2003-A COBO	8/01/03	3.25-6.00%	\$ 320,000	<u>\$ 165,000</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$ -</u>	<u>\$ 1,207</u>	<u>\$ -</u>
Development agreements	Various	5.70-6.75%	\$ 2,161,000	<u>\$ 1,452,078</u>	<u>\$ -</u>	<u>\$ 185,060</u>	<u>\$ 1,267,018</u>	<u>\$ 87,441</u>	<u>\$ -</u>

Development Agreements:

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

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

At the end of the 20 year period, the agreement will cease, and the City will not continue payments regardless of any principal due at that time. The City's interest cost for the year ended June 30, 2012 was \$23,961, with \$124,094 applied to the principal.

The City has entered into two other similar agreements with a combined cost of approximately \$961,000. The City's interest cost for the year ended June 30, 2012 was \$63,480, with \$60,966 principal applied. The terms for these agreements are 10 years, using interest rate assumptions of 5.7% to 6.75%.

See accompanying independent auditor's report.

**City of West Burlington
Bond and Note Maturities
June 30, 2012**

General Obligation Bonds									
Year Ending June 30,	Urban Renewal Refunding Bonds August 24, 2011		Street and Storm Sewer Improvement Notes April 15, 2011		Aerial Fire Truck Note April 15, 2011		Water Improvement Loan Agreement August 27, 2008		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2013	0.75%	\$ 810,000	2.00%	\$ 500,000	2.50%	\$ 70,000	3.00%	\$ 17,000	\$ 1,397,000
2014	1.00%	815,000	2.00%	500,000	2.50%	70,000	3.00%	17,000	1,402,000
2015	-	-	2.00%	680,000	2.50%	75,000	3.00%	18,000	773,000
2016	-	-	2.00%	685,000	2.75%	75,000	3.00%	18,000	778,000
2017	-	-	3.00%	30,000	2.75%	75,000	3.00%	19,000	124,000
2018	-	-	3.00%	30,000	2.60%	75,000	3.00%	19,000	124,000
2019	-	-	3.00%	30,000	2.90%	80,000	3.00%	20,000	130,000
2020	-	-	3.00%	35,000	3.00%	80,000	3.00%	21,000	136,000
2021	-	-	3.00%	35,000	3.20%	85,000	3.00%	21,000	141,000
2022	-	-	-	-	-	-	3.00%	22,000	22,000
2023	-	-	-	-	-	-	3.00%	23,000	23,000
2024	-	-	-	-	-	-	3.00%	23,000	23,000
2025	-	-	-	-	-	-	3.00%	24,000	24,000
2026	-	-	-	-	-	-	3.00%	25,000	25,000
2027	-	-	-	-	-	-	3.00%	25,000	25,000
2028	-	-	-	-	-	-	3.00%	26,000	26,000
		<u>\$ 1,625,000</u>		<u>\$ 2,525,000</u>		<u>\$ 685,000</u>		<u>\$ 338,000</u>	<u>\$ 5,173,000</u>

Water Revenue Bonds

Year Ending June 30,	Interest Rate	Amount
2013	3.00%	\$ 16,000
2014	3.00%	16,000
2015	3.00%	16,000
2016	3.00%	17,000
2017	3.00%	17,000
2018	3.00%	18,000
2019	3.00%	19,000
2020	3.00%	19,000
2021	3.00%	20,000
2022	3.00%	20,000
2023	3.00%	21,000
2024	3.00%	21,000
2025	3.00%	22,000
2026	3.00%	23,000
2027	3.00%	23,000
2028	3.00%	<u>24,000</u>
		<u>\$ 312,000</u>

See accompanying independent auditor's report.

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

	Year Ending June 30,									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:										
Property tax	\$ 1,036,015	\$ 829,024	\$ 826,745	\$ 838,637	\$ 931,804	\$ 927,315	\$ 934,197	\$ 936,733	\$ 978,252	\$ 1,060,387
Tax increment financing collections	2,063,536	2,195,063	1,968,925	1,681,414	1,985,012	1,947,354	1,899,816	1,771,802	1,399,350	1,334,487
Other city taxes	548,004	687,589	646,133	643,872	537,495	433,246	385,512	391,763	426,373	370,031
Use of money and property	62,659	86,253	82,954	121,715	168,496	110,046	86,271	59,911	68,661	47,845
Licenses and permits	103,477	124,884	45,790	49,658	65,219	96,860	51,125	90,160	55,398	31,870
Intergovernmental	564,370	717,810	377,192	364,218	578,484	405,794	454,128	716,922	372,533	454,443
Charges for services	256,167	234,543	206,329	227,427	160,947	139,111	146,190	104,357	94,223	92,562
Special assessments	-	-	-	-	-	36,138	-	-	-	-
Miscellaneous	<u>326,069</u>	<u>322,116</u>	<u>262,142</u>	<u>284,720</u>	<u>364,415</u>	<u>290,025</u>	<u>410,076</u>	<u>437,425</u>	<u>305,762</u>	<u>101,145</u>
Total	<u>\$ 4,960,297</u>	<u>\$ 5,197,282</u>	<u>\$ 4,416,210</u>	<u>\$ 4,211,661</u>	<u>\$ 4,791,872</u>	<u>\$ 4,385,889</u>	<u>\$ 4,367,315</u>	<u>\$ 4,509,073</u>	<u>\$ 3,700,552</u>	<u>\$ 3,492,770</u>
Disbursements:										
Operating:										
Public safety	\$ 1,714,660	\$ 2,292,531	\$ 1,179,756	\$ 1,120,511	\$ 1,049,996	\$ 1,084,115	\$ 1,370,520	\$ 1,046,473	\$ 1,014,372	\$ 950,496
Public works	549,885	629,415	622,353	510,378	506,502	455,784	451,451	455,956	507,960	440,143
Culture and recreation	291,914	255,802	221,293	289,096	111,732	86,148	101,012	80,579	73,754	80,127
Community and economic development	731,704	781,084	277,976	229,542	205,075	2,349	16,837	2,607	287,374	63,681
General government	576,347	424,320	437,693	433,061	457,439	290,544	299,438	227,568	246,845	174,589
Debt service	1,742,163	1,707,417	1,763,709	1,358,394	1,118,458	1,220,655	1,118,576	1,445,846	1,130,716	1,502,503
Capital projects	<u>2,351,135</u>	<u>601,248</u>	<u>469,288</u>	<u>755,856</u>	<u>4,911,209</u>	<u>681,900</u>	<u>930,076</u>	<u>1,995,007</u>	<u>3,311,529</u>	<u>1,378,528</u>
Total	<u>\$ 7,957,808</u>	<u>\$ 6,691,817</u>	<u>\$ 4,972,068</u>	<u>\$ 4,696,838</u>	<u>\$ 8,360,411</u>	<u>\$ 3,821,495</u>	<u>\$ 4,287,910</u>	<u>\$ 5,254,036</u>	<u>\$ 6,572,550</u>	<u>\$ 4,590,067</u>

See accompanying independent auditor's report.

City of West Burlington
Schedule of Selected Employee Related Expenses

	Year Ended June 30,									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Disbursements:										
Gross salaries	\$ 1,351,400	\$ 1,351,100	\$ 1,336,200	\$ 1,338,300	\$ 1,203,900	\$ 1,164,300	\$ 1,158,300	\$ 1,081,500	\$ 1,087,600	\$ 1,042,400
FICA expense	99,600	99,200	98,500	98,800	89,500	87,100	87,400	81,500	82,300	78,700
IPERS & ICMA expense	<u>111,800</u>	<u>101,800</u>	<u>95,600</u>	<u>87,100</u>	<u>82,800</u>	<u>81,800</u>	<u>83,700</u>	<u>76,100</u>	<u>74,300</u>	<u>69,900</u>
Total	<u>\$ 1,562,800</u>	<u>\$ 1,552,100</u>	<u>\$ 1,530,300</u>	<u>\$ 1,524,200</u>	<u>\$ 1,376,200</u>	<u>\$ 1,333,200</u>	<u>\$ 1,329,400</u>	<u>\$ 1,239,100</u>	<u>\$ 1,244,200</u>	<u>\$ 1,191,000</u>

See accompanying independent auditor's report.



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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, Iowa (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 17, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

CPA Associates PC

October 17, 2012

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2012**

Part I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES

I-A-12 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of West Burlington. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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

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

Conclusion - Response accepted.

I-B-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

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

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

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2012**

Part II: Other Findings Related to Required Statutory Reporting

II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted in any program. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

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

II-B-12 Questionable Disbursements - We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions</u>	<u>Amount</u>
Wallace Day, Board of Adjustment Owner of West Burlington Condominiums	Economic development forgivable loan	\$210,000

The economic development forgivable loan does not appear to represent a conflict of interest since it was entered into to benefit the general public in accordance with Chapter 403.16(7).

II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-12 Bonds and Revenue Notes - The water user charges were not at a level that produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year as required by the water revenue bond resolution. The water net revenues were a loss in the current year.

Recommendation - Water user charges need to be at a level that produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year as required by the water revenue bond resolution.

Response - The City has raised water user charges 4% for the next fiscal year.

Conclusion - Response accepted.

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2012**

Part II: Other Findings Related to Statutory Reporting (continued)

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

II-I-12 Delinquent Utility Accounts - At June 30, 2012, six employees or council members had delinquent utility accounts.

Recommendation - We recommend that the City emphasize to employees and council members that they are setting an example to the community by their actions.

Response - We will encourage employees and council members to pay their utility bills by their due date.

Conclusion - Response accepted.