

CITY OF WEST BEND, IOWA

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

YEAR ENDED JUNE 30, 2012

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>
(Before January 2012)		
Marilyn Schutz	Mayor	12-31-11
Paul Lauck	Mayor Pro Tem	12-31-11
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
(After January 2012)		
Marilyn Schutz	Mayor	12-31-13
Paul Lauck	Mayor Pro Tem	12-31-15
Bruce Helleseth	Council Member	12-31-13
Chris Newton	Council Member	12-31-13
Joe Montag	Council Member	12-31-15
Susan Traub	Council Member	12-31-15
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, 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 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2012 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.

U.S. general accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

November 29, 2012

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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City of West Bend exceeded liabilities at June 30, 2012 by \$9,667,516. Of this amount, \$3,555,444 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$424,478 during the year. Of this amount the assets of governmental activities increased \$276,274 and the assets of business activities increased by \$148,204.
- Total debt decreased by \$188,691 during the 2011-2012 fiscal year. Of this amount, governmental activities retired \$90,114 of existing debt and business type activities retired \$1,194,000 of existing debt. Governmental activities added \$2,606 and business activities added \$1,092,817. 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, 2012.

	Governmental Activities	Business Type Activities	2012 Total	2011 Total
Current and Other Assets	\$ 1,177,675	4,355,738	5,376,154	5,376,154
Capital Assets	1,890,120	4,883,683	6,555,531	6,555,531
Total Assets	3,067,795	9,239,421	12,307,216	11,931,685
Long-term Liabilities	523,498	1,387,664	1,911,162	2,101,482
Other Liabilities	508,791	219,747	728,538	587,165
Total Liabilities	1,032,289	1,607,411	2,639,700	2,688,647
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,374,434	3,526,683	4,901,117	4,483,731
Restricted	233,969	976,986	1,210,955	1,230,908
Unrestricted	427,103	3,128,341	3,555,444	3,528,399
Net Total Assets	\$ 2,035,506	7,632,010	9,667,516	9,243,038

\$1,210,955 of the City of West Bend’s net assets (12.5%) represents resources that are subject to external restrictions of their use. The remaining balance of unrestricted net assets, \$3,555,444 may be used to meet the City’s on going 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, 2012.

Net assets of governmental activities increased from FY11 to FY12 by approximately \$276,274. Net assets of the business type activities increased from FY11 to FY12 by approximately \$148,204.

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

	Governmental Activities	Business Type Activities	2012 Total	2011 Total
Program Revenues:				
Charges for Service	\$ 17,787	2,419,229	2,437,016	2,492,809
Operating Grants, Contributions & Restricted Interest	279,430	-	279,430	261,622
Capital Grants, Contributions & Restricted Interest	-	-	-	-
General Revenues:				
Property Tax for General Purposes	282,166	-	282,166	222,392
Property Tax for Debt Service	34,117	-	34,117	30,985
Tax Increment Financing Revenue	121,826	-	121,826	247,497
Local Option Sales Tax	68,334	-	68,334	56,818
Local Hotel Motel Tax	19,817	-	19,817	9,943
Unrestricted Investment Earnings	11,724	25,899	37,623	41,025
Miscellaneous	26,664	-	26,664	20,061
Transfers	48,920	(48,920)	-	-
Total Revenue	910,785	2,396,208	3,306,993	3,383,152
Program Expenses:				
Public Safety	90,658	-	90,658	147,633
Public Works	169,144	-	169,144	206,116
Health & Social Services	4,000	-	4,000	4,000
Culture & Recreation	143,820	-	143,820	175,710
Community & Economic Development	171,988	-	171,988	56,364
General Government	40,778	-	40,778	45,312
Interest on Long Term Debt	14,123	-	14,123	20,443
Water	-	153,635	153,635	124,665
Sewer	-	135,308	135,308	120,146
Electric	-	1,194,627	1,194,627	1,058,595
Gas	-	632,477	632,477	729,142
Other Non-major	-	131,957	131,957	126,822
Total Expenses	634,511	2,248,004	2,882,515	2,814,948
Increase in Net Assets	276,274	148,204	424,478	568,204
Net Assets July 1, 2011	1,759,232	7,483,806	9,243,038	8,674,834
Net Assets June 30, 2012	\$ 2,035,506	7,632,010	9,667,516	9,243,038

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

At June 30, 2012, the City of West Bend's governmental funds reported a total fund balance of \$661,519. This is more than the \$571,824 total fund balance at June 30, 2011. 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 FY12 with a \$518,917 balance compared to the previous year ending fund balance of \$432,504. This increase is due to added property tax and a decrease in overall expenditures.
- **Road Use Fund** – The Road Use Fund accounts for revenue received from the State of Iowa for street purposes. The Road Use Fund ended FY12 with a \$46,617 balance compared to the previous year ending fund balance of \$125,549. This fund balance decrease is due to increased expenditures affiliated with the maintenance and construction 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 FY12 with a (\$91,367) balance compared to the previous year ending fund balance of (\$139,594). 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 FY12 with a \$779 balance compared to the previous year ending balance of \$773. 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 FY12 with a \$1,031,588 net asset balance compared to the prior year ending net asset balance of \$1,065,603. This decrease is due to an increase in expenditures affiliated with a Water Main Improvements Project. The revenue was accounted for in last fiscal year but the project was not completed until this fiscal year.
- **Sewer Fund** – The Sewer Fund, which accounts for the operation of the City's wastewater treatment and sanitary sewer system, ended FY12 with a \$1,059,041 net asset balance compared to the prior year ending net asset balance of \$1,046,136. 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 FY12 with a \$3,622,858 net asset balance compared to the prior year ending net asset balance of \$3,626,622. This decrease is due to an increase in electric power costs. A rate analysis was completed which resulted in rate increases for the following fiscal year.

- **Gas Fund** – The Gas Fund, which accounts for the operation of the municipal gas utility, ended FY12 with a \$1,849,385 net asset balance compared to the prior year ending net asset balance of \$1,684,562. This increase is due to added customer sales of natural gas.

BUDGETARY HIGHLIGHTS

During the fiscal year ending June 30, 2012, the City amended its budget two times. The first amendment was made in January of 2012. The amendment provided for additional disbursements due to the 2012 Street Improvements, Sanitary Sewer Project, the purchase of a portion Pella's share of the WS#4 Plant and Casino Grant Projects. The second amendment was made in May of 2012. This amendment provided for additional expenditures due to increases in insurance premium costs, finalizing Water Distribution Project and Casino Grant Projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including land, buildings, and improvements, equipment, streets, storm sewer system, traffic controls and other infrastructure, represents the value of resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$1,890,120 (net of accumulated depreciation) at June 30, 2012. Capital assets for business type activities totaled \$4,883,683 (net of accumulated depreciation) at June 30, 2012.

The major capital outlays for governmental activities during the fiscal year included the completion of the 2012 Street Improvements on 3rd Avenue SW and 8th Street SW.

The major capital outlays for business activities during this fiscal year included the installation of a sanitary sewer main along Highway 15 and east to Protein Resources.

Construction in progress for business activities consists of the infrastructure affiliated with the relocating of a sanitary sewer main in the Montag's Addition, Street Extension of 7th Street SW and the purchase of a new generator for the Municipal Light Plant.

Long-Term Debt

At June 30, 2011, the City of West Bend had \$611,006 in long-term debt for the governmental activities. Total long-term debt in the business type activities was \$1,481,620 at June 30, 2011. More detailed information about the City's long-term debt is provided below:

- After making bond principal payments of \$90,114 and adding \$2,606 OPEB liabilities during FY12, the City had \$523,498 in general obligation bonds/notes outstanding as of June 30, 2012. The general obligation bonds that were issued in 2006 paid for the participation in a joint drainage district project. The Corn Belt Power Cooperative Loan made in 2010 paid for Industrial Park Improvements and land purchase.

- After making bond principal payments of \$1,194,000 and adding \$1,092,817 for Electric Revenue Bonds and OPEB liabilities during FY12, the City had \$1,380,437 in total revenue bonds/notes outstanding as of June 30, 2012. The revenue bonds were issued to pay for the construction of the sewer lagoon and electric WS#4 projects. The Electric Revenue Bonds were refunded during this fiscal year in order to save on interest payments over the life of the notes.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Several economic factors affected decisions made by the City in setting its FY13 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.

The General Fund is projected to end FY13 with a fund balance of approximately \$423,000.

The tax levy rates per \$1,000 of taxable valuation for FY13 are provided below:

FY13 Levy Rates	
General Levy Rate	\$ 8.10000
Insurance	1.20899
Employee Benefits	1.56668
Debt Service	.93324
Total	\$ 11.80891

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, 2012

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 785,521	3,454,461	4,239,982
Receivables:			
Property tax:			
Delinquent	4,592	-	4,592
Succeeding year	288,273	-	288,273
Tax increment financing:			
Delinquent	649	-	1,264
Succeeding year	156,115	-	122,885
Customer accounts	-	283,990	283,990
Accrued interest	195	509	704
Due from other governments	17,827	-	17,827
Internal balances	(94,000)	94,000	-
Inventories	-	162,778	162,778
Prepaid expenses	18,503	29,497	48,000
Bond issuance costs	-	8,554	8,554
Patronage dividends	-	24,982	24,982
Cost of obtaining gas allocation	-	-	-
Restricted assets:			
Cash	-	296,967	296,967
Capital assets (net of accumulated depreciation)	<u>1,890,120</u>	<u>4,883,683</u>	<u>6,773,803</u>
Total assets	<u>3,067,795</u>	<u>9,239,421</u>	<u>12,307,216</u>
Liabilities			
Accounts payable	56,679	194,089	250,768
Salaries and benefits payable	6,760	10,168	16,928
Sales tax payable	-	2,667	2,667
Deferred revenue:			
Succeeding year property tax	288,273	-	288,273
Succeeding year tax increment financing	156,115	-	122,885
Interest payable	964	2,732	3,696
Liabilities payable from restricted assets:			
Customer deposits	-	10,091	10,091

(continued)

Statement of Net Assets

June 30, 2012

	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	141,000	181,114
Compensated absences	-	7,227	7,227
Portion due or payable after one year:			
General obligation bonds/notes	225,000	-	225,000
Revenue bonds/notes payable	200,572	1,216,000	1,416,572
Net OPEB liability	7,812	23,437	31,249
Total liabilities	<u>1,032,289</u>	<u>1,607,411</u>	<u>2,639,700</u>
Net Assets			
Invested in capital assets, net of related debt	1,374,434	3,526,683	4,901,117
Restricted for:			
Debt service	773	-	773
Infrastructure improvements	150,463	-	150,463
Road purposes	46,617	-	46,617
Revenue bond retirement	-	272,355	272,355
Electric improvements	-	704,631	704,631
Other purposes	36,116	-	36,116
Unrestricted	<u>427,103</u>	<u>3,128,341</u>	<u>3,555,444</u>
Total net assets	<u>\$ 2,035,506</u>	<u>7,632,010</u>	<u>9,667,516</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Activities
Year ended June 30, 2012

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	\$ 90,658	20	44,237	-
Public works	169,144	-	73,850	-
Health and social services	4,000	-	-	-
Culture and recreation	143,820	17,730	45,809	-
Community and economic development	171,988	37	114,466	-
General government	40,778	-	1,068	-
Interst on long-term debt	14,123	-	-	-
Total governmental activities	634,511	17,787	279,430	-
Business type activities:				
Water	153,635	104,205	-	-
Sewer	135,308	144,803	-	-
Electric	1,194,627	1,213,917	-	-
Gas	632,477	815,196	-	-
Other nonmajor	131,957	141,108	-	-
Total business type activities	2,248,004	2,419,229	-	-
Total	\$ 2,882,515	2,437,016	279,430	-

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
(46,401)	-	(46,401)
(95,294)	-	(95,294)
(4,000)	-	(4,000)
(80,281)	-	(80,281)
(57,485)	-	(57,485)
(39,710)	-	(39,710)
(14,123)	-	(14,123)
<u>(337,294)</u>	<u>-</u>	<u>(337,294)</u>
-	(49,430)	(49,430)
-	9,495	9,495
-	19,290	19,290
-	182,719	182,719
-	9,151	9,151
<u>-</u>	<u>171,225</u>	<u>171,225</u>
<u>(337,294)</u>	<u>171,225</u>	<u>(166,069)</u>
\$ 282,166	-	282,166
34,117	-	34,117
121,826	-	121,826
68,334	-	68,334
19,817	-	19,817
11,724	25,899	37,623
26,664	-	26,664
48,920	(48,920)	-
<u>613,568</u>	<u>(23,021)</u>	<u>590,547</u>
276,274	148,204	424,478
<u>1,759,232</u>	<u>7,483,806</u>	<u>9,243,038</u>
<u>\$ 2,035,506</u>	<u>7,632,010</u>	<u>9,667,516</u>

City of West Bend, Iowa
Balance Sheet
Governmental Funds
June 30, 2012

Exhibit C

	<u>General</u>	Special Revenue <u>TIF</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash	\$ 520,360	1,984	254,848	777,192
Receivables:				
Property tax:				
Delinquent	3,517	-	1,075	4,592
Succeeding year	223,689	-	64,584	288,273
Tax increment financing:				
Delinquent	-	649	-	649
Succeeding year	-	156,115	-	156,115
Accrued interest	165	-	30	195
Due from other governments	3,770	-	14,057	17,827
Prepaid insurance	18,503	-	-	18,503
	<u>18,503</u>	<u>-</u>	<u>-</u>	<u>18,503</u>
Total assets	<u>\$ 770,004</u>	<u>158,748</u>	<u>334,594</u>	<u>1,263,346</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 20,638	-	36,041	56,679
Salaries and benefits payable	6,760	-	-	6,760
Due to other funds	-	94,000	-	94,000
Deferred revenue:				
Succeeding year property tax	223,689	-	64,584	288,273
Succeeding year tax increment financing	-	156,115	-	156,115
	<u>223,689</u>	<u>156,115</u>	<u>-</u>	<u>288,273</u>
Total liabilities	<u>251,087</u>	<u>250,115</u>	<u>100,625</u>	<u>601,827</u>
Fund balances:				
Nonspendable:				
Prepaid expenditures	18,503	-	-	18,503
Restricted for:				
Debt service	-	-	773	773
Infrastructure improvements	-	-	150,463	150,463
Street maintenance and improvements	-	-	46,617	46,617
Other purposes	-	-	36,116	36,116
Unassigned	500,414	(91,367)	-	409,047
Total fund balances	<u>518,917</u>	<u>(91,367)</u>	<u>233,969</u>	<u>661,519</u>
Total liabilities and fund balances	<u>\$ 770,004</u>	<u>\$ 158,748</u>	<u>334,594</u>	<u>1,263,346</u>

See notes to financial statements.

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

June 30, 2012

Total governmental fund balances (page 15) \$ 661,519

*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 \$2,800,477 and the accumulated depreciation is \$910,357. 1,890,120

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 8,329

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. (524,462)

Net assets of governmental activities (page 12) \$ 2,035,506

See notes to financial statements.

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

Governmental Funds

Year ended June 30, 2012

	<u>General</u>	Special Revenue <u>TIF</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Property tax	\$ 211,330	-	68,233	279,563
Tax increment financing	-	121,826	-	121,826
Other city tax	36,642	-	88,229	124,871
Licenses and permits	2,293	-	-	2,293
Use of money and property	11,162	-	562	11,724
Intergovernmental	198,036	-	73,850	271,886
Charges for service	15,597	-	-	15,597
Miscellaneous	33,945	-	-	33,945
Total revenues	<u>509,005</u>	<u>121,826</u>	<u>230,874</u>	<u>861,705</u>
Expenditures:				
Operating:				
Public safety:				
Police	56,580	-	14,191	70,771
Civil defense	3,033	-	-	3,033
Fire	72,903	-	-	72,903
Animal control	343	-	-	343
	<u>132,859</u>	<u>-</u>	<u>14,191</u>	<u>147,050</u>
Public works:				
Roadway maintenance	31,800	-	152,782	184,582
Storm sewer	8	-	-	8
Street lighting	6,819	-	-	6,819
Traffic safety	1,049	-	-	1,049
Street cleaning	1,003	-	-	1,003
	<u>40,679</u>	<u>-</u>	<u>152,782</u>	<u>193,461</u>
Health and social services				
Water, air, and mosquito control	4,000	-	-	4,000
Culture and recreation:				
Library	63,062	-	14,214	77,276
Parks	13,106	-	175	13,281
Ice skating	12,379	-	242	12,621
Community center	2,507	-	-	2,507
Swimming pool	43,966	-	1,319	45,285
Other	-	-	8,000	8,000
	<u>135,020</u>	<u>-</u>	<u>23,950</u>	<u>158,970</u>

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

Governmental Funds

Year ended June 30, 2012

	<u>General</u>	Special Revenue <u>TIF</u>	<u>Nonmajor</u>	<u>Total</u>
Community and economic development:				
Economic development	60,169	73,599	-	133,768
Other	78,505	-	-	78,505
	<u>138,674</u>	<u>73,599</u>	<u>-</u>	<u>212,273</u>
General government:				
Mayor/council	2,710	-	113	2,823
City clerk/treasurer	3,886	-	-	3,886
Elections	1,249	-	-	1,249
Legal	4,515	-	-	4,515
General liability insurance	27,920	-	-	27,920
	<u>40,280</u>	<u>-</u>	<u>113</u>	<u>40,393</u>
Debt service	<u>-</u>	<u>-</u>	<u>64,123</u>	<u>64,123</u>
Total expenditures	<u>491,512</u>	<u>73,599</u>	<u>255,159</u>	<u>820,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,493</u>	<u>48,227</u>	<u>(24,285)</u>	<u>41,435</u>
Other financing sources (uses):				
Operating transfers in	68,920	-	30,000	98,920
Operating transfers out	-	-	(50,660)	(50,660)
Total other financing sources (uses)	<u>68,920</u>	<u>-</u>	<u>(20,660)</u>	<u>48,260</u>
Net change in fund balances	86,413	48,227	(44,945)	89,695
Fund balances (deficit) beginning of year	<u>432,504</u>	<u>(139,594)</u>	<u>278,914</u>	<u>571,824</u>
Fund balances (deficit) end of year	<u>\$ 518,917</u>	<u>(91,367)</u>	<u>233,969</u>	<u>661,519</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, 2012

Net change in fund balances - Total governmental funds (page 18) **\$ 89,695**

*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	\$ 237,105	
Depreciation expense	<u>(139,809)</u>	97,296

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

Issued	-	
Repaid	<u>90,114</u>	90,114

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	1,114	
Other postemployment benefits	(2,606)	
Interest on long-term debt	<u>171</u>	(1,321)

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.

490

Change in net assets of governmental activities (page 14) **\$ 276,274**

See notes to financial statements.

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Assets				
Cash	\$ 117,849	432,735	1,167,682	1,674,716
Accounts receivable	16,085	21,720	175,318	53,234
Interest receivable	12	24	220	248
Prepaid expenses	2,247	460	22,720	4,070
Inventory	8,754	-	148,676	5,348
Due from other funds	-	-	-	128,958
Restricted cash	-	-	286,876	-
Cost of obtaining gas allocation	-	-	-	-
Bond issuance costs	-	2,475	6,079	-
Patronage dividends receivable	-	-	24,982	-
Capital assets:				
Land	1,000	-	4,750	-
Construction in progress	-	97,416	14,638	-
Buildings and equipment	1,862,668	1,712,620	6,562,722	318,655
Less accumulated depreciation	(934,061)	(843,213)	(3,622,702)	(290,810)
Total assets	1,074,554	1,424,237	4,791,961	1,894,419
Liabilities				
Accounts payable	5,384	89,892	62,343	26,491
Salaries payable	661	661	5,144	3,702
Sales tax payable	-	-	-	2,667
Interest payable	-	680	2,052	-
Due to other funds	34,958	-	-	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Long-term liabilities:				
Compensated absences	205	205	2,846	3,971
Net OPEB liability	1,758	1,758	11,718	8,203
Bonds, notes, and loans payable	-	272,000	1,085,000	-
Total liabilities	42,966	365,196	1,169,103	45,034

Exhibit G

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
43,223	3,436,205	26,585
17,633	283,990	-
5	509	-
-	29,497	-
-	162,778	-
-	128,958	-
10,091	296,967	-
-	-	-
-	8,554	-
-	24,982	-
-	5,750	-
-	112,054	-
-	10,456,665	-
-	(5,690,786)	-
<u>70,952</u>	<u>9,256,123</u>	<u>26,585</u>
9,979	194,089	-
-	10,168	-
-	2,667	-
-	2,732	-
-	34,958	-
10,091	10,091	-
-	7,227	-
-	23,437	-
-	1,357,000	-
<u>20,070</u>	<u>1,642,369</u>	<u>-</u>

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2012

	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	929,607	694,823	1,874,408	27,845
Restricted for:				
Electric note retirement	-	-	272,355	-
Electric improvements	-	-	704,631	-
Unrestricted:				
Reserved for improvements	67,910	-	278,886	-
Unrestricted, unreserved	<u>34,071</u>	<u>364,218</u>	<u>492,578</u>	<u>1,821,540</u>
Total net assets	<u><u>\$ 1,031,588</u></u>	<u><u>1,059,041</u></u>	<u><u>3,622,858</u></u>	<u><u>1,849,385</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>
-	3,526,683	-
-	272,355	-
-	704,631	-
-	346,796	-
<u>50,882</u>	<u>2,763,289</u>	<u>26,585</u>
<u><u>50,882</u></u>	<u><u>7,613,754</u></u>	<u><u>26,585</u></u>

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

June 30, 2012

Total proprietary fund balances (page 23) \$ 7,613,754

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.

18,256

Net assets of business type activities (page 12) \$ 7,632,010

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, 2012

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Operating revenues:				
Charges for services	\$ 97,720	141,464	1,188,640	813,273
Miscellaneous	6,485	3,339	25,277	1,923
Total operating revenues	<u>104,205</u>	<u>144,803</u>	<u>1,213,917</u>	<u>815,196</u>
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:				
Personal services	21,824	21,824	149,462	123,364
Purchased energy	-	-	515,760	458,076
Utilities	11,167	2,783	12,653	3,307
Repairs and maintenance	20,546	24,235	84,487	7,433
Other supplies and expenses	34,412	2,283	198,828	30,172
Depreciation	64,505	75,049	173,479	8,647
Amortization	-	413	608	-
Total operating expenses	<u>152,454</u>	<u>126,587</u>	<u>1,135,277</u>	<u>630,999</u>
Operating income (loss)	<u>(48,249)</u>	<u>18,216</u>	<u>78,640</u>	<u>184,197</u>
Non-operating revenues (expenses):				
Interest and dividend income	503	3,498	11,718	10,092
Interest expense	(1,107)	(8,647)	(57,862)	-
Total non-operating revenues (expenses)	<u>(604)</u>	<u>(5,149)</u>	<u>(46,144)</u>	<u>10,092</u>
Net income (loss) before transfers	(48,853)	13,067	32,496	194,289
Transfers in (out)	<u>14,838</u>	<u>(162)</u>	<u>(36,260)</u>	<u>(29,466)</u>
Change in net assets	(34,015)	12,905	(3,764)	164,823
Net assets beginning of year	<u>1,065,603</u>	<u>1,046,136</u>	<u>3,626,622</u>	<u>1,684,562</u>
Net assets end of year	<u>\$ 1,031,588</u>	<u>1,059,041</u>	<u>3,622,858</u>	<u>1,849,385</u>

See notes to financial statements.

Exhibit I

Other Nonmajor Enterprise Funds	<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
141,108	2,382,205	-
-	<u>37,024</u>	<u>159</u>
<u>141,108</u>	<u>2,419,229</u>	<u>159</u>
-	-	165
-	-	165
-	316,474	3,113
-	973,836	-
-	29,910	-
-	136,701	-
131,957	397,652	-
-	321,680	-
-	<u>1,021</u>	<u>-</u>
<u>131,957</u>	<u>2,177,274</u>	<u>3,443</u>
<u>9,151</u>	<u>241,955</u>	<u>(3,284)</u>
88	25,899	-
-	<u>(67,616)</u>	<u>-</u>
<u>88</u>	<u>(41,717)</u>	<u>-</u>
9,239	200,238	(3,284)
-	<u>(51,050)</u>	<u>2,790</u>
9,239	149,188	(494)
<u>41,643</u>	<u>7,464,566</u>	<u>27,079</u>
<u>50,882</u>	<u>7,613,754</u>	<u>26,585</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, 2012

Net change in fund balances - Total proprietary funds (page 26)	\$ 149,188
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>(984)</u>
Change in net assets of business type activities (page 14)	<u>\$ 148,204</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 105,376	144,782	1,184,309	870,784
Payments to suppliers and employees	<u>(84,777)</u>	<u>(57,596)</u>	<u>(938,621)</u>	<u>(627,258)</u>
Net cash provided by (used in) operating activities	<u>20,599</u>	<u>87,186</u>	<u>245,688</u>	<u>243,526</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(162)	(162)	(36,260)	(29,466)
Transfers from other funds	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>14,838</u>	<u>(162)</u>	<u>(36,260)</u>	<u>(29,466)</u>
Cash flows from capital and related financing activities:				
Receipts (payments) from inter-fund loans	-	-	-	64,393
Purchases of capital assets	(23,168)	(145,186)	(184,099)	(1,824)
Issuance of capital debt	-	-	1,085,000	-
Principal paid on capital debt	(16,893)	(39,000)	(1,155,000)	-
Interest paid on capital debt	<u>(1,107)</u>	<u>(8,745)</u>	<u>(59,804)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(41,168)</u>	<u>(192,931)</u>	<u>(313,903)</u>	<u>62,569</u>
Cash flows from investing activities:				
Interest and dividends	<u>493</u>	<u>3,484</u>	<u>8,856</u>	<u>9,922</u>
Net cash provided by investing activities	<u>493</u>	<u>3,484</u>	<u>8,856</u>	<u>9,922</u>
Net increase (decrease) in cash and cash equivalents	(5,238)	(102,423)	(95,619)	286,551
Cash and cash equivalents beginning of year	<u>123,087</u>	<u>535,158</u>	<u>1,550,177</u>	<u>1,388,165</u>
Cash and cash equivalents end of year	<u>\$ 117,849</u>	<u>432,735</u>	<u>1,454,558</u>	<u>1,674,716</u>

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
146,886	2,452,137	159
(132,705)	(1,840,957)	(3,443)
<u>14,181</u>	<u>611,180</u>	<u>(3,284)</u>
-	(66,050)	-
<u>-</u>	<u>15,000</u>	<u>2,790</u>
<u>-</u>	<u>(51,050)</u>	<u>2,790</u>
-	64,393	-
-	(354,277)	-
-	1,085,000	-
-	(1,210,893)	-
<u>-</u>	<u>(69,656)</u>	<u>-</u>
<u>-</u>	<u>(485,433)</u>	<u>-</u>
<u>87</u>	<u>22,842</u>	<u>-</u>
<u>87</u>	<u>22,842</u>	<u>-</u>
14,268	97,539	(494)
<u>39,046</u>	<u>3,635,633</u>	<u>27,079</u>
<u>53,314</u>	<u>3,733,172</u>	<u>26,585</u>

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012

	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)	\$ (48,249)	18,216	78,640	184,197
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	64,505	75,049	173,479	8,647
Amortization expense	-	413	608	150
Change in assets and liabilities:				
Receivables, net	(198)	(21)	(1,103)	55,588
Consumer deposits	-	-	-	-
Prepaid expenses	(286)	(115)	(1,688)	(641)
Inventory	1,369	-	(28,505)	(1,198)
Accounts and other payables	2,673	(7,141)	20,426	(6,799)
Accrued expenses	198	198	(77)	847
Increase in other postemployment benefits	587	587	3,908	2,735
Net cash provided by (used in) operating activities	\$ 20,599	87,186	245,688	243,526
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:				
Current assets:				
Cash	\$ 117,849	432,735	1,167,682	1,674,716
Restricted assets:				
Cash	-	-	286,876	-
Cash and cash equivalents at year end	\$ 117,849	432,735	1,454,558	1,674,716

See notes to financial statements.

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal <u>Service Fund</u> Self <u>Insurance</u>
9,151	241,955	(3,284)
-	321,680	-
-	1,171	-
1,755	56,021	-
4,023	4,023	-
-	(2,730)	-
-	(28,334)	-
(748)	8,411	-
-	1,166	-
-	7,817	-
<u>14,181</u>	<u>611,180</u>	<u>(3,284)</u>
43,223	3,436,205	26,585
<u>10,091</u>	<u>296,967</u>	<u>-</u>
<u>53,314</u>	<u>3,733,172</u>	<u>26,585</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2012

(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, 2012

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, 2012

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 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, 2012

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, 2012

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, 2012

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, 2012 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2011.

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, 2012

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, 2012, 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, 2012

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, 2012

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, 2012. 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, 2012

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, 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 Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2012

(3) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,537	---	---	43,537
Construction in progress	<u>---</u>	<u>35,660</u>	<u>---</u>	<u>---</u>
Total capital assets not being depreciated	<u>43,537</u>	<u>35,660</u>	<u>---</u>	<u>43,537</u>
Capital assets begin depreciated:				
Buildings	141,000	---	---	141,000
Improvements other than buildings	48,471	---	---	48,471
Machinery, equipment and vehicles	491,234	98,012	---	589,246
Infrastructure, road network	<u>1,839,130</u>	<u>103,433</u>	<u>---</u>	<u>1,942,563</u>
Total capital assets being depreciated	<u>2,519,835</u>	<u>201,445</u>	<u>---</u>	<u>2,721,280</u>
Less accumulated depreciation for:				
Buildings	138,384	500	---	138,884
Improvements other than buildings	19,884	3,851	---	23,738
Machinery, equipment and vehicles	268,412	40,363	---	308,775
Infrastructure, road network	<u>343,868</u>	<u>95,095</u>	<u>---</u>	<u>438,963</u>
Total accumulated depreciation	<u>770,548</u>	<u>139,809</u>	<u>---</u>	<u>910,357</u>
Total capital assets being depreciated, net	<u>1,749,287</u>	<u>61,636</u>	<u>---</u>	<u>1,810,923</u>
Governmental activities capital assets, net	\$ <u>1,792,824</u>	<u>97,296</u>	<u>---</u>	<u>1,890,120</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 \$11,682.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2012

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business activities:				
Capital assets not being depreciated:				
Land	\$ 5,750	---	---	5,750
Construction in progress	<u>114,874</u>	<u>112,054</u>	<u>(114,874)</u>	<u>112,054</u>
Total capital assets not being depreciated	<u>120,624</u>	<u>112,054</u>	<u>(114,874)</u>	<u>117,804</u>
Capital assets begin depreciated:				
Buildings	3,289,861	127,434	---	3,417,295
Machinery, equipment and vehicles	564,358	5,720	---	570,078
Infrastructure, sewer, water, electric, gas networks	<u>6,156,970</u>	<u>312,322</u>	<u>---</u>	<u>6,469,292</u>
Total capital assets being depreciated	<u>10,029,158</u>	<u>445,476</u>	<u>---</u>	<u>10,456,665</u>
Less accumulated depreciation for:				
Buildings	2,077,416	89,126	---	2,166,542
Machinery, equipment and vehicles	501,026	19,260	---	520,286
Infrastructure, sewer, water, electric, gas networks	<u>2,790,664</u>	<u>213,294</u>	<u>---</u>	<u>3,003,958</u>
Total accumulated depreciation	<u>5,369,106</u>	<u>321,680</u>	<u>---</u>	<u>5,690,786</u>
Total capital assets being depreciated, net	<u>4,642,083</u>	<u>123,796</u>	<u>---</u>	<u>4,765,879</u>
Business type activities capital assets, net	\$ <u>4,762,707</u>	<u>235,850</u>	<u>(114,874)</u>	<u>4,883,683</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 \$42,361.

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

Governmental activities:	
Public safety	\$ 16,802
Public works, which includes the depreciation of general infrastructure assets	114,776
Culture and recreation	7,846
General government	<u>385</u>
Total depreciation expense – governmental activities	\$ <u>139,809</u>

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2012

Business type activities:	
Water	\$ 64,505
Sewer	75,049
Electric	173,479
Gas	<u>8,647</u>
Total depreciation expense – business type activities	<u>\$ 445,476</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
Drainage improvements	\$ 325,000	---	50,000	275,000	50,000
Revenue note	280,800	---	40,114	240,686	40,114
Net OPEB liability	<u>5,206</u>	<u>2,606</u>	<u>---</u>	<u>7,812</u>	<u>---</u>
Total	<u>\$ 611,006</u>	<u>2,606</u>	<u>90,114</u>	<u>523,498</u>	<u>90,114</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Electric	\$ 1,155,000	1,085,000	1,155,000	1,085,000	100,000
Sewer	311,000	---	39,000	272,000	41,000
Net OPEB liability	<u>15,620</u>	<u>7,817</u>	<u>---</u>	<u>23,437</u>	<u>---</u>
Total	<u>\$ 1,481,620</u>	<u>1,092,817</u>	<u>1,194,000</u>	<u>1,380,437</u>	<u>119,000</u>

General obligation bonds/notes

One issue of unmatured general obligation bonds/notes, totaling \$275,000, is outstanding at June 30, 2012. 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, 2012

Details of general obligation bonds/notes payable at June 30, 2012 are as follows:

Governmental activities:	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2012</u>
General obligation bonds/notes:						
Drainage improvements	Sep 15, 2006	3.95%-4.30%	June 30, 2017	45,000-60,000	\$ 550,000	\$ <u>275,000</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		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>275,000</u>	<u>35,809</u>	<u>310,809</u>

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$280,800 of urban renewal tax increment financing (TIF) revenue bonds in November, 2010 for the purpose of financing an urban renewal project within the West Bend Urban Renewal Area, consisting of street, storm sewer, water main improvements and new street lighting. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. Total principal and interest remaining on the bonds is \$240,686, payable through June 2018. For the current year, interest and principle paid and total TIF receipts were \$40,114 and \$73,599, respectively.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2012

Revenue bonds/notes

Four issues of unmatured revenue bonds/notes, totaling \$1,597,686, are outstanding at June 30, 2012. These bonds/notes bear interest at rates of 0.00% to 3.00% per annum and mature in varying annual amounts ranging from \$14,000 to \$120,000, 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 \$1,085,000 in electric revenue notes issued in December 2011. 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 \$1,234,675. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$127,682 and \$252,119, respectively.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$699,000 in sewer revenue notes issued in December, 2008. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net revenues and are payable through 2018. 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 \$297,440. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$47,745 and \$93,265, respectively.

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate electric and sewer sinking accounts for the purpose of making the bond/note principal and interest payments when due.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2012

- (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, 2012, the City was in compliance with the revenue bond/ note provisions.

Details of revenue notes payable at June 30, 2012 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 June30,2012</u>
Governmental activities:						
Urban renewal tax increment note	Nov 28, 2010	0.00%	June 1, 2017	40,114	\$ 280,800	\$ 240,686
Total governmental activities						<u>240,686</u>
Business type activities:						
Electric revenue	Dec. 5, 2011	2.00%-3.00%	June 1, 2022	100,000-120,000	\$ 1,085,000	\$ 1,085,000
Sewer revenue CW9516R and CW9136R	Dec. 1, 1998	3.00%	Dec. 1, 2017	35,000-50,000	699,000	<u>272,000</u>
Total business type activities						<u>1,357,000</u>
Total						\$ <u>1,597,686</u>

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

<u>Year Ending June 30,</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 181,114	32,170	213,284
2014	182,114	28,925	211,039
2015	185,114	25,620	210,734
2016	191,114	22,255	213,369
2017	193,114	18,745	211,859
2018-2022	<u>665,116</u>	<u>47,400</u>	<u>712,516</u>
Total	\$ <u>1,597,686</u>	<u>175,115</u>	<u>1,772,801</u>

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2012

(5) Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Hotel Motel Tax	\$ 5,000
	Enterprise: Electric	35,210
	Gas	<u>28,710</u>
		<u>68,920</u>
Debt Service	Special Revenue: Local Option Sales Tax	<u>30,000</u>
Internal Service: Self insurance	Enterprise: Water	162
	Sewer	162
	Electric	1050
	Gas	756
	Special Revenue: Trust and Agency	<u>660</u>
		<u>2,790</u>
Enterprise: Water	Special Revenue: Local Option Sales Tax	<u>15,000</u>
Total		<u>\$ 116,710</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, 2012

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Gas	Special Revenue TIF	\$ <u>94,000</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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$23,893, \$21,115, and \$20,284 respectively, equal to the required contributions for each year.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2012

(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, 2012, 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	417
Adjustment to annual required contribution	<u>(398)</u>
Annual OPEB cost	10,423
Contributions made	<u>---</u>
Increase in net OPEB obligation	10,423
Net OPEB obligation beginning of year	<u>20,826</u>
Net OPEB obligation end of year	\$ <u>31,249</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2012

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, 2012.

For the year ended June 30, 2012, 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, 2012 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
2012	10,423	0 %	31,249

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$275,000 and the ratio of the UAAL to covered payroll was 12.6%. As of June 30, 2012, 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, 2012

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, 2012

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 committed to a couple of improvement projects. The cost is anticipated to be approximately \$190,000 for a sewer/street project and \$1,400,000 for an electric diesel engine project. The City anticipates issuing \$400,000 of GO bonds and internally financing the rest of the above projects.

(11) Deficit Balance

At June 30, 2012, there was a deficit fund balance as follows:

Special Revenue, TIF Fund	\$ 91,367
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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 November 29, 2012, the date the financial statements were available to be issued.

Required Supplementary Information

City of West Bend, Iowa

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 276,524	-	276,524
Tax increment financing	122,441	-	122,441
Other city tax	121,948	-	121,948
Licenses and permits	2,293	-	2,293
Use of money and property	11,667	29,217	40,884
Intergovernmental	282,725	-	282,725
Charges for service	15,596	2,494,522	2,510,118
Miscellaneous	<u>19,946</u>	<u>140,159</u>	<u>160,105</u>
Total receipts	<u>853,140</u>	<u>2,663,898</u>	<u>3,517,038</u>
Disbursements:			
Public safety	155,056	-	155,056
Public works	194,796	-	194,796
Health and social services	4,000	-	4,000
Culture and recreation	154,979	-	154,979
Community and economic development	168,834	-	168,834
General government	43,146	-	43,146
Debt service	104,237	-	104,237
Business type activities	<u>-</u>	<u>3,534,680</u>	<u>3,534,680</u>
Total disbursements	<u>825,048</u>	<u>3,534,680</u>	<u>4,359,728</u>
Excess (deficiency) of receipts over (under) disbursements	28,092	(870,782)	(842,690)
Other financing sources (uses), net	<u>707</u>	<u>1,085,081</u>	<u>1,085,788</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	28,799	214,299	243,098
Balances beginning of year	<u>748,393</u>	<u>3,264,650</u>	<u>4,013,043</u>
Balances end of year	<u>\$ 777,192</u>	<u>3,478,949</u>	<u>4,256,141</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
<u>Original</u>	<u>Final</u>	Actual
		<u>Variance</u>
278,515	278,515	(1,991)
122,885	122,885	(444)
105,334	105,334	16,614
2,135	2,135	158
12,200	12,200	28,684
255,340	392,840	(110,115)
2,516,011	2,516,011	(5,893)
16,220	16,220	143,885
<u>3,308,640</u>	<u>3,446,140</u>	<u>70,898</u>
137,745	202,745	47,689
248,500	333,500	138,704
5,000	5,000	1,000
166,040	176,040	21,061
175,075	275,075	106,241
41,720	46,720	3,574
104,140	104,240	3
<u>2,415,420</u>	<u>3,849,055</u>	<u>314,375</u>
<u>3,293,640</u>	<u>4,992,375</u>	<u>632,647</u>
15,000	(1,546,235)	703,545
<u>-</u>	<u>1,100,788</u>	<u>(15,000)</u>
15,000	(445,447)	688,545
<u>3,616,878</u>	<u>4,013,043</u>	<u>-</u>
<u>3,631,878</u>	<u>3,567,596</u>	<u>688,545</u>

City of West Bend, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds			Proprietary Funds		
				Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 853,140	8,565	861,705	2,663,898	(218,770)	2,445,128
Expenditures/expenses	<u>(825,048)</u>	<u>4,778</u>	<u>(820,270)</u>	<u>(3,534,680)</u>	<u>1,289,790</u>	<u>(2,244,890)</u>
Net	28,092	13,343	41,435	(870,782)	1,071,020	200,238
Other financing sources, net	707	47,553	48,260	1,085,081	(1,136,131)	(51,050)
Beginning 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>
Ending fund balances/net assets	<u>\$ 777,192</u>	<u>(115,673)</u>	<u>661,519</u>	<u>3,478,949</u>	<u>4,134,805</u>	<u>7,613,754</u>

See accompanying independent auditors report.

City of West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

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, two budget amendments increased budgeted receipts by \$137,500, budgeted disbursements by \$1,698,735 and other financing sources by \$1,100,788. 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%
2012	July 1, 2009	-	\$ 34,521	\$ 34,521	0%	\$275,000	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, 2012

	Special Revenue				Debt Service	Total
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel/ Motel Tax		
Assets						
Cash	\$ 74,166	11,903	144,932	23,581	266	254,848
Receivables:						
Property tax:						
Delinquent	-	568	-	-	507	1,075
Succeeding year	-	37,535	-	-	27,049	64,584
Accrued interest	-	3	27	-	-	30
Due from other governments	5,492	-	5,504	3,061	-	14,057
Total assets	\$ 79,658	50,009	150,463	26,642	27,822	334,594
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	\$ 33,041	-	-	3,000	-	36,041
Deferred revenue:						
Succeeding year property tax	-	37,535	-	-	27,049	64,584
Total liabilities	33,041	37,535	-	3,000	27,049	100,625
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	773	773
Infrastructure improvements	-	-	150,463	-	-	150,463
Street maint & improvements	46,617	-	-	-	-	46,617
Other purposes	-	12,474	-	23,642	-	36,116
Total fund balances	46,617	12,474	150,463	23,642	773	233,969
Total liabilities & fund bal	\$ 79,658	50,009	150,463	26,642	27,822	334,594

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, 2012

	Special Revenue					Total
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>	<u>Debt Service</u>	
Revenues:						
Property tax	\$ -	34,152	-	-	34,081	68,233
Other city tax	-	42	68,334	19,817	36	88,229
Use of money and property	-	38	524	-	-	562
Intergovernmental	73,850	-	-	-	-	73,850
Total revenues	<u>73,850</u>	<u>34,232</u>	<u>68,858</u>	<u>19,817</u>	<u>34,117</u>	<u>230,874</u>
Expenditures:						
Operating:						
Public safety:						
Police	-	14,191	-	-	-	14,191
Public works:						
Roadway maintenance	152,782	-	-	-	-	152,782
Culture and recreation:						
Library	-	14,214	-	-	-	14,214
Parks	-	175	-	-	-	175
Ice skating	-	242	-	-	-	242
Swimming pool	-	1,319	-	-	-	1,319
Other	-	-	-	8,000	-	8,000
	<u>-</u>	<u>15,950</u>	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>23,950</u>
Community and economic development:						
Economic development	-	-	-	-	-	-
General government:						
Mayor/council	-	113	-	-	-	113
	<u>-</u>	<u>113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113</u>
Debt service	-	-	-	-	64,123	64,123
Total expenditures	<u>152,782</u>	<u>30,254</u>	<u>-</u>	<u>8,000</u>	<u>64,123</u>	<u>255,159</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,932)</u>	<u>3,978</u>	<u>68,858</u>	<u>11,817</u>	<u>(30,006)</u>	<u>(24,285)</u>

(continued)

City of West Bend, Iowa

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

Year ended June 30, 2012

	Special Revenue				Debt Service	Total
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/ Motel Tax</u>		
Other financing sources (uses):						
Operating transfers in	-	-	-	-	30,000	30,000
Operating transfers out	-	(660)	(45,000)	(5,000)	-	(50,660)
Total other financing sources (uses)	-	(660)	(45,000)	(5,000)	30,000	(20,660)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(78,932)	3,318	23,858	6,817	(6)	(44,945)
Fund balances beginning of year	<u>125,549</u>	<u>9,156</u>	<u>126,605</u>	<u>16,825</u>	<u>779</u>	<u>278,914</u>
Fund balances end of year	<u>\$ 46,617</u>	<u>12,474</u>	<u>150,463</u>	<u>23,642</u>	<u>773</u>	<u>233,969</u>

See accompanying independent auditor's report.

Combining Schedule of Net Assets

Nonmajor Proprietary Funds

June 30, 2012

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Assets			
Current assets:			
Cash	\$ 10,091	43,223	53,314
Accounts receivable	-	17,633	17,633
Interest receivable	-	5	5
	<u>10,091</u>	<u>60,861</u>	<u>70,952</u>
Total assets	<u>10,091</u>	<u>60,861</u>	<u>70,952</u>
Liabilities			
Current liabilities:			
Accounts payable	-	9,979	9,979
Consumer deposits	10,091	-	10,091
	<u>10,091</u>	<u>9,979</u>	<u>20,070</u>
Total liabilities	<u>10,091</u>	<u>9,979</u>	<u>20,070</u>
Net assets			
Unrestricted	-	50,882	50,882
	<u>-</u>	<u>50,882</u>	<u>50,882</u>
Total net assets	<u>\$ -</u>	<u>50,882</u>	<u>50,882</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, 2012

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Operating revenues:			
Charges for service	\$ -	141,108	141,108
Total operating revenues	<u>-</u>	<u>141,108</u>	<u>141,108</u>
Operating expenses:			
Business type activities:			
Contractual services	-	131,613	131,613
Other supplies and expenses	-	344	344
Total operating expenses	<u>-</u>	<u>131,957</u>	<u>131,957</u>
Operating income (loss)	-	9,151	9,151
Non-operating revenues (expenses):			
Interest and investment revenue	-	88	88
Total non-operating revenue (expenses)	<u>-</u>	<u>88</u>	<u>88</u>
Change in net assets	-	9,239	9,239
Net assets beginning of year	<u>-</u>	<u>41,643</u>	<u>41,643</u>
Net assets end of year	<u>\$ -</u>	<u>50,882</u>	<u>50,882</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 Nine Years

	Modified Accrual Basis			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:				
Property tax	\$ 279,563	218,889	227,178	222,728
Tax increment financing revenue	121,826	247,497	240,529	229,553
Other city tax	124,871	101,249	101,127	105,935
Licenses and permits	2,293	1,542	2,167	2,967
Use of money and property	11,724	11,979	13,114	15,589
Intergovernmental	271,886	256,034	307,794	174,204
Charges for service	15,597	21,454	17,823	16,224
Miscellaneous	33,945	26,261	33,410	33,456
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 861,705</u>	<u>884,905</u>	<u>943,142</u>	<u>800,656</u>
Expenditures:				
Operating:				
Public safety	\$ 147,050	134,124	82,921	189,618
Public works	193,461	464,040	162,591	508,678
Health and social services	4,000	4,000	-	-
Culture and recreation	158,970	168,317	179,573	164,467
Community and economic development	212,273	56,364	247,509	205,688
General government	40,393	44,927	34,787	35,159
Debt service	<u>64,123</u>	<u>160,995</u>	<u>114,950</u>	<u>113,647</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 820,270</u>	<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, 2012 and 2011

Schedule 6

	<u>6-30-12</u>	<u>6-30-11</u>
Operating revenues:		
Metered sales	\$ 97,720	95,357
Miscellaneous	<u>6,485</u>	<u>6,990</u>
Total operating revenue	<u>104,205</u>	<u>102,347</u>
 Operating expenses:		
Distribution system maintenance:		
Salaries	14,744	14,388
Payroll taxes and benefits	7,080	6,522
Utilities	11,167	10,466
Salt and supplies	27,105	18,846
Building and equipment maintenance	20,546	5,970
Insurance	2,670	2,479
Professional fees	800	610
Miscellaneous	<u>3,837</u>	<u>3,926</u>
	<u>87,949</u>	<u>63,207</u>
 Depreciation:		
Water tower	8,918	8,918
Treatment plant	55,282	50,696
Equipment	<u>305</u>	<u>288</u>
	<u>64,505</u>	<u>59,902</u>
Total operating expenses	<u>152,454</u>	<u>123,109</u>
 Operating income (loss)	<u>(48,249)</u>	<u>(20,762)</u>
 Non-operating revenues (expenses):		
Interest income	503	366
Interest expense	<u>(1,107)</u>	<u>(1,521)</u>
Total non-operating revenues (expenses)	<u>(604)</u>	<u>(1,155)</u>
 Net income (loss) before operating transfer	(48,853)	(21,917)
Interfund transfer	<u>14,838</u>	<u>166,885</u>
Net income	<u>\$ (34,015)</u>	<u>144,968</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Sewer Utility
 Years ended June 30, 2012 and 2011

Schedule 7

	<u>6-30-12</u>	<u>6-30-11</u>
Operating revenues:		
Sewer rental charges	\$ 141,464	136,707
Miscellaneous	3,339	40
Total operating revenue	<u>144,803</u>	<u>136,747</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	14,744	14,388
Payroll taxes and benefits	7,080	6,522
Utilities	2,783	1,848
Maintenance and repair	24,235	13,927
Insurance	861	830
Supplies	710	535
Amortization	413	413
Miscellaneous	712	1,062
	<u>51,538</u>	<u>39,525</u>
Depreciation:		
Furniture and fixtures	1,071	1,071
Vehicles	2,000	2,000
Sewer plant	71,978	67,722
	<u>75,049</u>	<u>70,793</u>
Total operating expenses	<u>126,587</u>	<u>110,318</u>
Operating income	<u>18,216</u>	<u>26,429</u>
Non-operating revenues (expenses):		
Interest income	3,498	4,445
Interest expense	(8,647)	(9,793)
Total non-operating revenues (expenses)	<u>(5,149)</u>	<u>(5,348)</u>
Net income before operating transfer	13,067	21,081
Interfund transfer	(162)	(115)
Net income	<u>\$ 12,905</u>	<u>20,966</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Electric Utility
Years ended June 30, 2012 and 2011

Schedule 8

	<u>6-30-12</u>	<u>6-30-11</u>
Operating revenues:		
Metered sales	\$ 1,188,640	1,189,827
Miscellaneous	<u>25,277</u>	<u>13,110</u>
Total operating revenue	<u>1,213,917</u>	<u>1,202,937</u>
Operating expenses:		
Production:		
Salaries	33,201	32,788
Payroll taxes and benefits	8,696	13,430
Utilities	10,511	15,125
Electric energy purchased	515,760	469,869
Maintenance - Plant, building, engines	12,857	11,732
Walter Scott power plant	<u>54,082</u>	<u>50,871</u>
	<u>635,107</u>	<u>593,815</u>
Distribution system maintenance:		
Salaries	19,678	21,308
Payroll taxes and benefits	4,994	5,189
Lines, poles, towers, conductors, meters, etc.	78,851	39,628
Telephone and radio	667	789
Motor vehicles	5,650	11,662
Supplies	9,453	10,443
Professional fees	<u>17,548</u>	<u>-</u>
	<u>136,841</u>	<u>89,019</u>
Collection and accounting:		
Salaries	36,956	38,417
Payroll taxes and benefits	15,271	13,881
Office supplies	2,655	3,364
Programming	<u>2,808</u>	<u>2,681</u>
	<u>57,690</u>	<u>58,343</u>
Administrative:		
Salaries	21,655	25,135
Payroll taxes and benefits	9,011	9,206
Professional fees	42,782	6,610

(continued)

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Electric Utility
 Years ended June 30, 2012 and 2011

Schedule 8

	<u>6-30-12</u>	<u>6-30-11</u>
Operating expenses (continued):		
Administrative (continued):		
Insurance	30,760	29,007
Telephone and radio	1,475	1,498
Miscellaneous taxes	3,258	2,258
Property taxes	11,514	10,845
Amortization	608	608
Miscellaneous	<u>11,097</u>	<u>11,519</u>
	<u>132,160</u>	<u>96,686</u>
Depreciation:		
Buildings	321	321
Generating plant and equipment	97,093	92,334
Distribution system	65,764	66,911
Furniture and fixtures	7,529	7,426
Vehicles	<u>2,772</u>	<u>2,772</u>
	<u>173,479</u>	<u>169,764</u>
Total operating expenses	<u>1,135,277</u>	<u>1,007,627</u>
Operating income	78,640	195,310
Non-operating revenues (expenses):		
Interest income	11,718	10,172
Interest expense	<u>(57,862)</u>	<u>(50,235)</u>
Total non-operating revenues (expenses)	<u>(46,144)</u>	<u>(40,063)</u>
Net income before operating transfers	32,496	155,247
Interfund transfer	<u>(36,260)</u>	<u>(32,516)</u>
Net income	<u>\$ (3,764)</u>	<u>122,731</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2012 and 2011

Schedule 9

	<u>6-30-12</u>	<u>6-30-11</u>
Operating revenues:		
Metered sales	\$ 813,273	888,195
Miscellaneous	<u>1,923</u>	<u>6,482</u>
Total operating revenue	<u>815,196</u>	<u>894,677</u>
Operating expenses:		
Production:		
Cost of gas purchased	<u>458,076</u>	<u>551,216</u>
Distribution system maintenance:		
Salaries	25,350	27,175
Payroll taxes and benefits	9,640	8,910
Utilities	3,307	3,222
Meters, mains, valves	4,802	8,467
Equipment and building repairs	7,433	1,893
Miscellaneous	<u>1,383</u>	<u>2,767</u>
	<u>51,915</u>	<u>52,434</u>
Collection and accounting:		
Salaries	37,572	36,386
Payroll taxes and benefits	15,270	13,881
Office supplies	2,673	3,370
Professional fees	<u>2,763</u>	<u>2,549</u>
	<u>58,278</u>	<u>56,186</u>
Administrative:		
Salaries	24,101	25,296
Payroll taxes and benefits	11,431	11,092
Insurance	5,429	5,243
Professional fees	2,523	4,146
Telephone	1,516	1,498
Meetings and travel	599	1,783
Dues	2,100	2,416
Miscellaneous	<u>6,384</u>	<u>7,882</u>
	<u>54,083</u>	<u>59,356</u>

(continued)

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2012 and 2011

Schedule 9

	<u>6-30-12</u>	<u>6-30-11</u>
Operating expenses (continued):		
Depreciation:		
Buildings	-	5
Distribution systems	3,352	3,352
Furniture and fixtures	1,116	964
Vehicles	4,179	4,179
	<u>8,647</u>	<u>8,500</u>
Total operating expenses	<u>630,999</u>	<u>727,692</u>
Operating income	184,197	166,985
Non-operating revenues (expenses):		
Interest income	<u>10,092</u>	<u>13,969</u>
Total non-operating revenues (expenses)	<u>10,092</u>	<u>13,969</u>
Net income before operating transfers	194,289	180,954
Interfund transfer	<u>(29,466)</u>	<u>(185,749)</u>
Net income	<u>\$ 164,823</u>	<u>(4,795)</u>

See accompanying independent auditor's report.

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

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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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 29, 2012. 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

Management of the City of West Bend is responsible for establishing and maintaining effective 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 a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies 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-12 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-12 and I-B-12 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 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 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

November 29, 2012

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-12 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-12 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, 2012

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-12 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, 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.
- II-B-12 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-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 – No business transactions between the City and City officials or employees were noted.
- II-E-12 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-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-12 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-12 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, 2012

II-I-12 Deficit Balances – The Special Revenue TIF fund had a deficit balance of \$91,367 at June 30, 2012.

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.