

CITY OF WEST BEND, IOWA

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

YEAR ENDED JUNE 30, 2013

City of West Bend, Iowa

Table of Contents

	<u>Page</u>
Officials	i
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 12-13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) – Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Position	G 21-24
Reconciliation of the Statement of Net Position – Proprietary Funds to the Statement of Net Position	H 25
Statement of Revenues, Expenses and Changes in Fund Net Position	I 26-27
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds to the Statement of Activities	J 28
Statement of Cash Flows	K 29-32
Notes to Financial Statements	33-54
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – Governmental Funds and Proprietary Funds	55-56
Budget to GAAP Reconciliation	57
Notes to Required Supplementary Information – Budgetary Reporting	58
Schedule of Funding Progress for the Retiree Health Plan	59
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 60
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 61-62

City of West Bend, Iowa

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Nonmajor Proprietary Funds:		
Combining Schedule of Net Position	3	63
Combining Schedule of Revenues, Expenses and Changes in Net Position	4	64
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	65-66
Comparative Schedules of Revenues and Expenses:		
Water Utility	6	67
Sewer Utility	7	68
Electric Utility	8	69-70
Gas Utility	9	71-72
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		73-75
Schedule of Findings		76-79

City of West Bend, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marilyn Schutz	Mayor	12-31-13
Paul Lauck	Mayor Pro Tem	12-31-15
Bruce Hellese	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:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, 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.

Other Matters

Required Supplementary Information

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 5 through 11 and 55 through 59 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 financial reporting for placing the basic financial statements in a 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.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2014 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 in considering the City of West Bend's internal control over financial reporting and compliance.

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

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

January 16, 2014

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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the City of West Bend exceeded liabilities at June 30, 2013 by \$10,156,789. Of this amount, \$4,353,417 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$489,273 during the year. Of this amount the assets of governmental activities increased \$346,948 and the assets of business activities increased by \$142,325.
- Total debt increased by \$179,345 during the 2012-2013 fiscal year. Of this amount, governmental activities retired \$91,968 of existing debt and business type activities retired \$141,000 of existing debt. Governmental activities did not add any additional debt and business activities added \$412,313. 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 Position 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 Position 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 position. Over time, increases or decreases in net position 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 Position 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 Position, a Statement of Revenues, Expenses, and Changes in Fund Net Assets and a Statement of Cash Flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2013.

	Governmental Activities	Business Type Activities	2013 Total	2012 Total
Current and Other Assets	\$ 1,446,369	3,909,541	5,355,910	5,533,413
Capital Assets	1,839,960	5,674,566	7,514,526	6,773,803
Total Assets	3,286,329	9,584,107	12,870,436	12,307,216
Long-term Liabilities	432,080	1,666,804	2,098,884	1,911,162
Other Liabilities	471,795	142,968	614,763	728,538
Total Liabilities	903,875	1,809,772	2,713,647	2,639,700
Net Position:				
Invested in Capital Assets, Net of Related Debt	1,414,388	3,311,166	4,725,554	4,901,117
Restricted	315,533	762,285	1,077,818	1,210,955
Unrestricted	652,533	3,700,884	4,353,417	3,555,444
Net Total Position	\$ 2,382,454	7,774,335	10,156,789	9,667,516

\$1,077,818 of the City of West Bend's net position (10.6%) represents resources that are subject to external restrictions of their use. The remaining balance of unrestricted net position, \$4,353,417 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 position for fiscal year ending June 30, 2013.

Net position of governmental activities increased from FY12 to FY13 by approximately \$346,948. Net position of the business type activities increased from FY12 to FY13 by approximately \$142,325.

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

	Governmental Activities	Business Type Activities	2013 Total	2012 Total
Program Revenues:				
Charges for Service	\$ 36,915	2,696,251	2,733,166	2,437,016
Operating Grants, Contributions & Restricted Interest	179,015	-	179,015	279,430
Capital Grants, Contributions & Restricted Interest	82,342	-	82,342	-
General Revenues:				
Property Tax for General Purposes	294,608	-	294,608	282,166
Property Tax for Debt Service	27,151	-	27,151	34,117
Tax Increment Financing Revenue	152,213	-	152,213	121,826
Local Option Sales Tax	68,096	-	68,096	68,334
Local Hotel Motel Tax	15,617	-	15,617	19,817
Unrestricted Investment Earnings	10,982	17,727	28,709	37,623
Miscellaneous	62,016	-	62,016	26,664
Transfers	73,738	(73,738)	-	-
Total Revenue	1,002,693	2,640,240	3,642,933	3,306,993
Program Expenses:				
Public Safety	35,855	-	35,855	90,658
Public Works	217,642	-	217,642	169,144
Health & Social Services	4,160	-	4,160	4,000
Culture & Recreation	149,993	-	149,993	143,820
Community & Economic Development	188,805	-	188,805	171,988
General Government	44,311	-	44,311	40,778
Interest on Long Term Debt	14,979	-	14,979	14,123
Water	-	230,628	230,628	153,635
Sewer	-	123,765	123,765	135,308
Electric	-	1,279,228	1,279,228	1,194,627
Gas	-	721,672	721,672	632,477
Other Non-major	-	142,622	142,622	131,957
Total Expenses	655,745	2,497,915	3,153,660	2,882,515
Increase in Net Position	346,948	142,325	489,273	424,478
Net Position July 1, 2012	2,035,506	7,632,010	9,667,516	9,243,038
Net Position June 30, 2013	\$ 2,382,454	7,774,335	10,156,789	9,667,516

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

At June 30, 2013, the City of West Bend's governmental funds reported a total fund balance of \$966,890. This is more than the \$661,519 total fund balance at June 30, 2012. 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 FY13 with a \$702,531 balance compared to the previous year ending fund balance of \$518,917. 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 FY13 with a \$61,651 balance compared to the previous year ending fund balance of \$46,617. This fund balance increase is due to decreased 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 FY13 with a (\$51,174) balance compared to the previous year ending fund balance of (\$91,367). 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 FY13 with a \$773 balance compared to the previous year ending balance of \$852. 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 FY13 with a \$978,553 net position balance compared to the prior year ending net position balance of \$1,031,588. This decrease is due to an increase in expenditures affiliated with Water Plant improvements. The control panel equipment had to be replaced because of a malfunction of the chlorinator and a new room was built inside the building to protect the equipment from damage if this would ever happen again.
- **Sewer Fund** - The Sewer Fund, which accounts for the operation of the City's wastewater treatment and sanitary sewer system, ended FY13 with a \$1,083,055 net position balance compared to the prior year ending net position balance of \$1,059,041. The increase in the net assets is mainly due to a decrease in the revenue bonds payable interest rate and lower costs associated with maintenance and repairs.
- **Electric Fund** - The Electric Fund, which accounts for the operation of the municipal electric utility, ended FY13 with a \$3,617,425 net position balance compared to the prior year ending

net position balance of \$3,622,858. This decrease is due to an increase in electric power costs and distribution system and power plant maintenance.

- *Gas Fund* - The Gas Fund, which accounts for the operation of the municipal gas utility, ended FY13 with a \$2,020,036 net position balance compared to the prior year ending net position balance of \$1,849,385. This increase is due to added customer sales of natural gas with expenditures increasing only slightly.

BUDGETARY HIGHLIGHTS

During the fiscal year ending June 30, 2013, the City amended its budget two times. The first amendment was made in October of 2012. The amendment provided for additional disbursements due to street improvements, the purchase of a new generator for the Municipal Power Plant and Casino Grant Projects. The second amendment was made in May of 2013. This amendment provided for additional expenditures due to increases in insurance premium costs, repairs at the Water Plant, loan payment for Electric Project, housing rehabilitation and transfers.

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 \$1,839,960 (net of accumulated depreciation) at June 30, 2013. Capital assets for business type activities totaled \$5,674,566 (net of accumulated depreciation) at June 30, 2013.

The major capital outlays for governmental activities during the fiscal year included the completion of the street extension of 7th Street SW.

The major capital outlays for business activities during this fiscal year included the relocating of a sanitary sewer main in the Montag's Addition.

Construction in progress for business activities consists of the infrastructure affiliated with the purchase and installation of a new generator for the Municipal Light Plant.

Future commitments include the relocation of storm sewer and the installation of a sanitary sewer in the West Bend Industrial Park No. 2 and the upgrading of the emissions on Engine #3 at the Municipal Light Plant.

Long-Term Debt

At June 30, 2012, the City of West Bend had \$523,498 in long-term debt for the governmental activities. Total long-term debt in the business type activities was \$1,380,437 at June 30, 2012. More detailed information about the City's long-term debt is provided below:

- After making bond principal payments of \$90,114 and a decrease of \$1,854 in OPEB liabilities during FY13, the City had \$431,530 in general obligation bonds/notes outstanding as of June 30, 2013. 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 \$141,000 and adding \$400,000 for Electric General Obligation Bonds and \$12,313 for OPEB liabilities during FY13, the City had \$1,651,750 in total revenue bonds/notes outstanding as of June 30, 2013. The revenue bonds were issued to pay for the construction of the sewer lagoon and electric WS#4 projects. The Electric general obligation bonds were issued during this fiscal year in order to assist in the financing of the purchase of a new generator for the Municipal Power Plant.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Several economic factors affected decisions made by the City in setting its FY14 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 FY14 with a fund balance of approximately \$520,000.

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

FY14 Levy Rates	
General Levy Rate	\$ 8.10000
Insurance	1.38411
Employee Benefits	1.31901
Debt Service	1.01266
Total	\$ 11.81578

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 Position

June 30, 2013

Assets	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 974,368	2,901,272	3,875,640
Receivables:			
Property tax:			
Delinquent	2,249	-	2,249
Succeeding year	280,100	-	280,100
Tax increment financing:			
Delinquent	489	-	1,264
Succeeding year	175,115	-	122,885
Customer accounts	-	313,210	313,210
Accrued interest	238	578	816
Due from other governments	44,849	-	44,849
Internal balances	(53,000)	53,000	-
Inventories	-	249,817	249,817
Prepaid expenses	21,961	35,445	57,406
Bond issuance costs	-	9,914	9,914
Patronage dividends	-	24,821	24,821
Restricted assets:			
Cash	-	321,484	321,484
Capital assets (net of accumulated depreciation)	<u>1,839,960</u>	<u>5,674,566</u>	<u>7,514,526</u>
Total assets	<u>3,286,329</u>	<u>9,584,107</u>	<u>12,870,436</u>
 Liabilities			
Accounts payable	8,866	126,540	135,406
Salaries and benefits payable	6,921	11,281	18,202
Sales tax payable	-	2,684	2,684
Deferred revenue:			
Succeeding year property tax	280,100	-	280,100
Succeeding year tax increment financing	175,115	-	122,885
Interest payable	793	2,463	3,256
Liabilities payable from restricted assets:			
Customer deposits	-	7,761	7,761

(continued)

Statement of Net Position

June 30, 2013

Liabilities (continued)	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	55,000	40,000	95,000
Revenue bonds/notes payable	40,114	142,000	182,114
Compensated absences	550	7,294	7,844
Portion due or payable after one year:			
General obligation bonds/notes	170,000	360,000	530,000
Revenue bonds/notes payable	160,458	1,074,000	1,234,458
Net OPEB liability	5,958	35,749	41,707
Total liabilities	<u>903,875</u>	<u>1,809,772</u>	<u>2,713,647</u>
Net Position			
Invested in capital assets, net of related debt	1,414,388	3,311,166	4,725,554
Restricted for:			
Debt service	852	-	852
Infrastructure improvements	184,201	-	184,201
Road purposes	67,996	-	67,996
Revenue bond retirement	-	128,076	128,076
Electric improvements	-	634,209	634,209
Other purposes	62,484	-	62,484
Unrestricted	652,533	3,700,884	4,353,417
Total net position	<u>\$ 2,382,454</u>	<u>7,774,335</u>	<u>10,156,789</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Activities
Year ended June 30, 2013

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	\$ 35,855	13,463	-	28,451
Public works	217,642	-	77,338	-
Health and social services	4,160	-	-	-
Culture and recreation	149,993	23,415	43,018	7,767
Community and economic development	188,805	37	58,659	46,124
General government	44,311	-	-	-
Interest on long-term debt	14,979	-	-	-
Total governmental activities	<u>655,745</u>	<u>36,915</u>	<u>179,015</u>	<u>82,342</u>
Business type activities:				
Water	230,628	177,164	-	-
Sewer	123,765	145,673	-	-
Electric	1,279,228	1,307,318	-	-
Gas	721,672	916,514	-	-
Other nonmajor	142,622	149,582	-	-
Total business type activities	<u>2,497,915</u>	<u>2,696,251</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,153,660</u>	<u>2,733,166</u>	<u>179,015</u>	<u>82,342</u>

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 position
Net position beginning of year
Net position end of year

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and
Change in Net Assets

Governmental Activities	Business Type Activities	Total
6,059	-	6,059
(140,304)	-	(140,304)
(4,160)	-	(4,160)
(75,793)	-	(75,793)
(83,985)	-	(83,985)
(44,311)	-	(44,311)
(14,979)	-	(14,979)
<u>(357,473)</u>	<u>-</u>	<u>(357,473)</u>
-	(53,464)	(53,464)
-	21,908	21,908
-	28,090	28,090
-	194,842	194,842
-	6,960	6,960
-	198,336	198,336
<u>(357,473)</u>	<u>198,336</u>	<u>(159,137)</u>
\$ 294,608	-	294,608
27,151	-	27,151
152,213	-	152,213
68,096	-	68,096
15,617	-	15,617
10,982	17,727	28,709
62,016	-	62,016
73,738	(73,738)	-
<u>704,421</u>	<u>(56,011)</u>	<u>648,410</u>
346,948	142,325	489,273
<u>2,035,506</u>	<u>7,632,010</u>	<u>9,667,516</u>
<u>\$ 2,382,454</u>	<u>7,774,335</u>	<u>10,156,789</u>

City of West Bend, Iowa
Balance Sheet
Governmental Funds
June 30, 2013

Exhibit C

	<u>General</u>	<u>Special Revenue TIF</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 664,379	1,337	300,175	965,891
Receivables:				
Property tax:				
Delinquent	1,762	-	487	2,249
Succeeding year	219,662	-	60,438	280,100
Tax increment financing:				
Delinquent	-	489	-	489
Succeeding year	-	175,115	-	175,115
Accrued interest	200	-	38	238
Due from other governments	27,432	-	17,417	44,849
Prepaid insurance	21,961	-	-	21,961
	<u>21,961</u>	<u>-</u>	<u>-</u>	<u>21,961</u>
Total assets	<u>\$ 935,396</u>	<u>176,941</u>	<u>378,555</u>	<u>1,490,892</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 6,282	-	2,584	8,866
Salaries and benefits payable	6,921	-	-	6,921
Due to other funds	-	53,000	-	53,000
Deferred revenue:				
Succeeding year property tax	219,662	-	60,438	280,100
Succeeding year tax increment financing	-	175,115	-	175,115
	<u>219,662</u>	<u>175,115</u>	<u>-</u>	<u>394,777</u>
Total liabilities	<u>232,865</u>	<u>228,115</u>	<u>63,022</u>	<u>524,002</u>
Fund balances:				
Nonspendable:				
Prepaid expenditures	21,961	-	-	21,961
Restricted for:				
Debt service	-	-	852	852
Infrastructure improvements	-	-	184,201	184,201
Street maintenance and improvements	-	-	67,996	67,996
Other purposes	-	-	62,484	62,484
Unassigned	680,570	(51,174)	-	629,396
	<u>680,570</u>	<u>(51,174)</u>	<u>-</u>	<u>629,396</u>
Total fund balances	<u>702,531</u>	<u>(51,174)</u>	<u>315,533</u>	<u>966,890</u>
Total liabilities and fund balances	<u>\$ 935,396</u>	<u>\$ 176,941</u>	<u>378,555</u>	<u>1,490,892</u>

See notes to financial statements.

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

June 30, 2013

Total governmental fund balances (page 16) \$ 966,890

Amounts reported for governmental activities in the Statement of Net Position 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 \$2,898,518 and the accumulated depreciation is \$1,058,558. 1,839,960

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 Position. 8,477

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. (432,873)

Net position of governmental activities (page 13) \$ 2,382,454

See notes to financial statements.

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

Governmental Funds

Year ended June 30, 2013

	<u>General</u>	Special Revenue <u>TIF</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Property tax	\$ 220,321	-	64,125	284,446
Tax increment financing	-	152,213	-	152,213
Other city tax	37,239	-	83,787	121,026
Licenses and permits	1,816	-	-	1,816
Use of money and property	10,212	89	681	10,982
Intergovernmental	224,919	-	76,113	301,032
Charges for service	21,329	-	-	21,329
Miscellaneous	35,751	-	-	35,751
Total revenues	<u>551,587</u>	<u>152,302</u>	<u>224,706</u>	<u>928,595</u>
Expenditures:				
Operating:				
Public safety:				
Police	4,826	-	198	5,024
Civil defense	2,975	-	-	2,975
Fire	58,095	-	-	58,095
Animal control	66	-	-	66
	<u>65,962</u>	<u>-</u>	<u>198</u>	<u>66,160</u>
Public works:				
Roadway maintenance	72,070	-	54,734	126,804
Street lighting	8,980	-	-	8,980
Traffic safety	827	-	-	827
Street cleaning	2,151	-	-	2,151
	<u>84,028</u>	<u>-</u>	<u>54,734</u>	<u>138,762</u>
Health and social services				
Water, air, and mosquito control	4,160	-	-	4,160
Culture and recreation:				
Library	63,917	-	16,471	80,388
Parks	4,029	-	135	4,164
Ice skating	18,795	-	525	19,320
Community center	3,146	-	-	3,146
Swimming pool	37,966	-	1,397	39,363
Other	-	-	3,500	3,500
	<u>127,853</u>	<u>-</u>	<u>22,028</u>	<u>149,881</u>

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

Governmental Funds

Year ended June 30, 2013

	<u>General</u>	Special Revenue <u>TIF</u>	<u>Nonmajor</u>	<u>Total</u>
Community and economic development:				
Economic development	56,135	112,109	-	168,244
Other	60,675	-	-	60,675
	<u>116,810</u>	<u>112,109</u>	<u>-</u>	<u>228,919</u>
General government:				
Mayor/council	3,115	-	110	3,225
City clerk/treasurer	4,421	-	-	4,421
Legal	3,549	-	-	3,549
General liability insurance	32,735	-	-	32,735
	<u>43,820</u>	<u>-</u>	<u>110</u>	<u>43,930</u>
Debt service	-	-	65,150	65,150
Total expenditures	<u>442,633</u>	<u>112,109</u>	<u>142,220</u>	<u>696,962</u>
Excess (deficiency) of revenues over (under) expenditures	<u>108,954</u>	<u>40,193</u>	<u>82,486</u>	<u>231,633</u>
Other financing sources (uses):				
Operating transfers in	74,660	-	38,078	112,738
Operating transfers out	-	-	(39,000)	(39,000)
Total other financing sources (uses)	<u>74,660</u>	<u>-</u>	<u>(922)</u>	<u>73,738</u>
Change in fund balances	183,614	40,193	81,564	305,371
Fund balances (deficit) beginning of year	<u>518,917</u>	<u>(91,367)</u>	<u>233,969</u>	<u>661,519</u>
Fund balances (deficit) end of year	<u>\$ 702,531</u>	<u>(51,174)</u>	<u>315,533</u>	<u>966,890</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, 2013

Net change in fund balances - Total governmental funds (page 19) **\$ 305,371**

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. Depreciation/amortization expense exceeded outlay for capital assets in the current year, as follows:

Expenditures for capital assets	\$ 98,041	
Depreciation expense	<u>(148,201)</u>	(50,160)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 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	(550)	
Other postemployment benefits	1,854	
Interest on long-term debt	<u>171</u>	1,475

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.

148

Change in net position of governmental activities (page 15) **\$ 346,948**

See notes to financial statements.

City of West Bend, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Assets				
Current Assets:				
Cash and cash equivalents	\$ 112,136	392,566	1,171,333	1,158,224
Accounts receivable	14,990	21,508	189,096	68,079
Interest receivable	17	73	281	201
Prepaid expenses	2,656	516	27,179	5,094
Inventory	8,550	-	235,162	6,105
Due from other funds	-	-	-	818,034
Total current assets	<u>138,349</u>	<u>414,663</u>	<u>1,623,051</u>	<u>2,055,737</u>
Restricted cash	-	-	313,723	-
Bond issuance costs	-	2,063	7,851	-
Patronage dividends receivable	-	-	24,821	-
Capital assets:				
Land	1,000	-	4,750	-
Construction in progress	-	-	1,017,000	-
Buildings and equipment	1,862,668	1,829,309	6,663,794	320,455
Less accumulated depreciation	<u>(1,000,596)</u>	<u>(924,261)</u>	<u>(3,800,030)</u>	<u>(299,523)</u>
Total noncurrent assets	<u>863,072</u>	<u>907,111</u>	<u>4,231,909</u>	<u>20,932</u>
Total assets	<u>1,001,421</u>	<u>1,321,774</u>	<u>5,854,960</u>	<u>2,076,669</u>
Liabilities				
Accounts payable	1,650	3,557	73,773	36,270
Salaries payable	645	645	6,114	3,877
Sales tax payable	-	-	-	2,684
Interest payable	-	578	1,885	-
Due to other funds	17,634	-	747,400	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Total current liabilities	<u>19,929</u>	<u>4,780</u>	<u>829,172</u>	<u>42,831</u>
Noncurrent liabilities:				
Compensated absences	258	258	5,488	1,290
Net OPEB liability	2,681	2,681	17,875	12,512
Bonds, notes, and loans payable	-	231,000	1,385,000	-
Total noncurrent liabilities	<u>2,939</u>	<u>233,939</u>	<u>1,408,363</u>	<u>13,802</u>
Total liabilities	<u>22,868</u>	<u>238,719</u>	<u>2,237,535</u>	<u>56,633</u>

Exhibit G

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
49,677	2,883,936	25,813
19,537	313,210	-
6	578	-
-	35,445	-
-	249,817	-
-	818,034	-
<u>69,220</u>	<u>4,301,020</u>	<u>25,813</u>
7,761	321,484	-
-	9,914	-
-	24,821	-
-	5,750	-
-	1,017,000	-
-	10,676,226	-
-	(6,024,410)	-
<u>7,761</u>	<u>6,030,785</u>	<u>-</u>
<u>76,981</u>	<u>10,331,805</u>	<u>25,813</u>
11,290	126,540	-
-	11,281	-
-	2,684	-
-	2,463	-
-	765,034	-
<u>7,761</u>	<u>7,761</u>	<u>-</u>
<u>19,051</u>	<u>915,763</u>	<u>-</u>
-	7,294	-
-	35,749	-
-	1,616,000	-
-	1,659,043	-
<u>19,051</u>	<u>2,574,806</u>	<u>-</u>

City of West Bend, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Net Position				
Net investment in capital assets	863,072	674,048	1,753,114	20,932
Restricted for:				
Electric note retirement	-	-	128,076	-
Electric improvements	-	-	634,209	-
Unrestricted:				
Reserved for improvements	58,451	-	300,309	-
Unrestricted, unreserved	<u>57,030</u>	<u>409,007</u>	<u>801,717</u>	<u>1,999,104</u>
Total net position	<u>\$ 978,553</u>	<u>1,083,055</u>	<u>3,617,425</u>	<u>2,020,036</u>

See notes to financial statements.

(continued)
Exhibit G

<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund Self Insurance</u>
-	3,311,166	-
-	128,076	-
-	634,209	-
-	358,760	-
<u>57,930</u>	<u>3,324,788</u>	<u>25,813</u>
<u>57,930</u>	<u>7,756,999</u>	<u>25,813</u>

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

June 30, 2013

Total proprietary fund balances (page 24) \$ 7,756,999

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 Position.

17,336

Net position of business type activities (page 13) \$ 7,774,335

See notes to financial statements.

City of West Bend, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2013

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Operating revenues:				
Charges for services	\$ 99,636	145,318	1,270,940	907,484
Miscellaneous	77,528	355	36,378	9,030
Total operating revenues	<u>177,164</u>	<u>145,673</u>	<u>1,307,318</u>	<u>916,514</u>
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:				
Personal services	23,015	23,015	169,488	128,590
Purchased energy	-	-	598,396	530,720
Utilities	17,833	2,504	15,310	4,359
Repairs and maintenance	99,047	7,103	104,825	6,041
Other supplies and expenses	23,474	2,055	182,488	41,471
Depreciation	66,535	81,048	177,328	8,713
Amortization	-	413	608	-
Total operating expenses	<u>229,904</u>	<u>116,138</u>	<u>1,248,443</u>	<u>719,894</u>
Operating income (loss)	<u>(52,740)</u>	<u>29,535</u>	<u>58,875</u>	<u>196,620</u>
Non-operating revenues (expenses):				
Interest and dividend income	543	2,220	8,009	6,867
Interest expense	(676)	(7,579)	(29,699)	-
Total non-operating revenues (expenses)	<u>(133)</u>	<u>(5,359)</u>	<u>(21,690)</u>	<u>6,867</u>
Net income (loss) before transfers	<u>(52,873)</u>	<u>24,176</u>	<u>37,185</u>	<u>203,487</u>
Transfers in (out)	<u>(162)</u>	<u>(162)</u>	<u>(42,618)</u>	<u>(32,836)</u>
Change in net position	(53,035)	24,014	(5,433)	170,651
Net position beginning of year	<u>1,031,588</u>	<u>1,059,041</u>	<u>3,622,858</u>	<u>1,849,385</u>
Net position end of year	<u>\$ 978,553</u>	<u>1,083,055</u>	<u>3,617,425</u>	<u>2,020,036</u>

See notes to financial statements.

Exhibit I

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
149,582	2,572,960	-
-	123,291	-
<u>149,582</u>	<u>2,696,251</u>	<u>-</u>
-	-	106
-	-	106
-	344,108	2,960
-	1,129,116	-
-	40,006	-
-	217,016	-
142,622	392,110	-
-	333,624	-
-	1,021	-
<u>142,622</u>	<u>2,457,001</u>	<u>3,172</u>
<u>6,960</u>	<u>239,250</u>	<u>(3,172)</u>
88	17,727	-
-	(37,954)	-
<u>88</u>	<u>(20,227)</u>	<u>-</u>
7,048	219,023	(3,172)
<u>-</u>	<u>(75,778)</u>	<u>2,400</u>
7,048	143,245	(772)
<u>50,882</u>	<u>7,613,754</u>	<u>26,585</u>
<u><u>57,930</u></u>	<u><u>7,756,999</u></u>	<u><u>25,813</u></u>

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

Year ended June 30, 2013

Change in net position - Total proprietary funds (page 27)	\$ 143,245
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>(920)</u>
Change in net position of business type activities (page 15)	<u>\$ 142,325</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2013

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 178,463	145,885	1,207,054	901,669
Payments to suppliers and employees	<u>(166,552)</u>	<u>(31,729)</u>	<u>(1,053,767)</u>	<u>(701,363)</u>
Net cash provided by (used in) operating activities	<u>11,911</u>	<u>114,156</u>	<u>153,287</u>	<u>200,306</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(162)	(162)	(42,618)	(32,836)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(162)</u>	<u>(162)</u>	<u>(42,618)</u>	<u>(32,836)</u>
Cash flows from capital and related financing activities:				
Receipts (payments) from inter-fund loans	-	-	747,400	(689,076)
Purchases of capital assets	-	(107,653)	(1,103,434)	(1,800)
Issuance of capital debt	-	-	397,620	-
Principal paid on capital debt	(17,324)	(41,000)	(100,000)	-
Interest paid on capital debt	<u>(676)</u>	<u>(7,681)</u>	<u>(29,866)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(18,000)</u>	<u>(156,334)</u>	<u>(88,280)</u>	<u>(690,876)</u>
Cash flows from investing activities:				
Interest and dividends	<u>538</u>	<u>2,171</u>	<u>8,109</u>	<u>6,914</u>
Net cash provided by investing activities	<u>538</u>	<u>2,171</u>	<u>8,109</u>	<u>6,914</u>
Net increase (decrease) in cash and cash equivalents	(5,713)	(40,169)	30,498	(516,492)
Cash and cash equivalents beginning of year	<u>117,849</u>	<u>432,735</u>	<u>1,454,558</u>	<u>1,674,716</u>
Cash and cash equivalents end of year	<u>\$ 112,136</u>	<u>392,566</u>	<u>1,485,056</u>	<u>1,158,224</u>

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
145,348	2,578,419	-
<u>(141,311)</u>	<u>(2,094,722)</u>	<u>(3,172)</u>
4,037	483,697	(3,172)
-	(75,778)	-
-	-	2,400
-	(75,778)	2,400
-	58,324	-
-	(1,212,887)	-
-	397,620	-
-	(158,324)	-
<u>-</u>	<u>(38,223)</u>	<u>-</u>
-	(953,490)	-
<u>87</u>	<u>17,819</u>	<u>-</u>
<u>87</u>	<u>17,819</u>	<u>-</u>
4,124	(527,752)	(772)
<u>53,314</u>	<u>3,733,172</u>	<u>26,585</u>
<u>57,438</u>	<u>3,205,420</u>	<u>25,813</u>

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2013

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (52,740)	29,535	58,875	196,620
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	66,535	81,048	177,328	8,713
Amortization expense	-	413	608	-
Change in assets and liabilities:				
Receivables, net	1,095	212	(13,778)	(14,845)
Consumer deposits	-	-	-	-
Prepaid expenses	(409)	(56)	(4,459)	(1,024)
Inventory	204	-	(86,486)	(757)
Accounts and other payables	(3,734)	2,045	11,430	9,779
Accrued expenses	37	36	3,612	(2,489)
Increase in other postemployment benefits	923	923	6,157	4,309
Net cash provided by (used in) operating activities	\$ 11,911	114,156	153,287	200,306
 Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:				
Current assets:				
Cash	\$ 112,136	392,566	1,171,333	1,158,224
Restricted assets:				
Cash	-	-	313,723	-
Cash and cash equivalents at year end	\$ 112,136	392,566	1,485,056	1,158,224

See notes to financial statements.

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
6,960	239,250	(3,172)
-	333,624	-
-	1,021	-
(1,904)	(29,220)	-
(2,330)	(2,330)	-
-	(5,948)	-
-	(87,039)	-
1,311	20,831	-
-	1,196	-
-	12,312	-
<u>4,037</u>	<u>483,697</u>	<u>(3,172)</u>
49,677	2,883,936	25,813
<u>7,761</u>	<u>321,484</u>	<u>-</u>
<u>57,438</u>	<u>3,205,420</u>	<u>25,813</u>

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2013

(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, 2013

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as 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 Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position not meeting the definition of the two preceding categories. Unrestricted net position 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, 2013

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 the City's gas system.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2013

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, 2013

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 position 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.

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.

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.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2013

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, 2013 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2012.

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, 2013

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, 2013, 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 Position and in the Proprietary Funds Statement of Net Position. 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, 2013

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 Position 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, 2013

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, 2013. 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 Position and the proprietary fund Statement of Net Position.

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.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2013

Unassigned – All amounts not included in other spendable classifications.

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 and Cash Equivalents

The City's deposits in banks at June 30, 2013 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, 2013

(3) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,537	---	---	43,537
Construction in progress	<u>35,660</u>	---	<u>35,660</u>	<u>---</u>
Total capital assets not being depreciated	<u>79,197</u>	<u>---</u>	<u>35,660</u>	<u>43,537</u>
Capital assets being depreciated:				
Buildings	141,000	---	---	141,000
Improvements other than buildings	48,471	10,804	---	59,275
Machinery, equipment and vehicles	589,246	49,202	---	638,448
Infrastructure, road network	<u>1,942,563</u>	<u>73,695</u>	---	<u>2,016,258</u>
Total capital assets being depreciated	<u>2,721,280</u>	<u>133,701</u>	<u>---</u>	<u>2,854,981</u>
Less accumulated depreciation for:				
Buildings	138,884	496	---	139,380
Improvements other than buildings	23,735	3,814	---	27,549
Machinery, equipment and vehicles	308,775	43,955	---	352,730
Infrastructure, road network	<u>438,963</u>	<u>99,936</u>	---	<u>538,899</u>
Total accumulated depreciation	<u>910,357</u>	<u>148,201</u>	<u>---</u>	<u>1,058,558</u>
Total capital assets being depreciated, net	<u>1,810,923</u>	<u>(14,500)</u>	<u>---</u>	<u>1,796,423</u>
Governmental activities capital assets, net	<u>\$ 1,890,120</u>	<u>(14,500)</u>	<u>35,660</u>	<u>1,839,960</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 \$1,297 and accumulated depreciation of \$11,682.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2013

	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>112,054</u>	<u>1,002,362</u>	<u>(97,416)</u>	<u>1,017,000</u>
Total capital assets not being depreciated	<u>117,804</u>	<u>1,002,362</u>	<u>(97,416)</u>	<u>1,022,750</u>
Capital assets begin depreciated:				
Buildings	3,417,296	---	---	3,417,295
Machinery, equipment and vehicles	570,078	6,100	---	576,178
Infrastructure, sewer, water, electric, gas networks	<u>6,469,292</u>	<u>213,460</u>	<u>---</u>	<u>6,682,752</u>
Total capital assets being depreciated	<u>10,456,666</u>	<u>219,560</u>	<u>---</u>	<u>10,676,226</u>
Less accumulated depreciation for:				
Buildings	2,166,542	90,866	---	2,257,408
Machinery, equipment and vehicles	520,286	18,284	---	538,570
Infrastructure, sewer, water, electric, gas networks	<u>3,003,958</u>	<u>224,474</u>	<u>---</u>	<u>3,228,432</u>
Total accumulated depreciation	<u>5,690,786</u>	<u>333,624</u>	<u>---</u>	<u>6,024,410</u>
Total capital assets being depreciated, net	<u>4,765,880</u>	<u>(114,064)</u>	<u>---</u>	<u>4,651,816</u>
Business type activities capital assets, net	<u>\$ 4,883,684</u>	<u>888,298</u>	<u>(97,416)</u>	<u>5,674,566</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 \$47,550.

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

Governmental activities:	
Public safety	\$ 21,270
Public works, which includes the depreciation of general infrastructure assets	116,915
Culture and recreation	9,635
General government	<u>381</u>
Total depreciation expense – governmental activities	<u>\$ 148,201</u>

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2013

Business type activities:	
Water	\$ 66,535
Sewer	81,048
Electric	177,328
Gas	<u>8,713</u>
Total depreciation expense – business type activities	<u>\$ 333,624</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes:					
Drainage	\$ 275,000	---	50,000	225,000	55,000
Revenue note	240,686	---	40,114	200,572	40,114
Net OPEB liability	<u>7,812</u>	<u>---</u>	<u>1,854</u>	<u>5,958</u>	<u>---</u>
Total	<u>\$ 523,498</u>	<u>---</u>	<u>91,968</u>	<u>431,530</u>	<u>95,114</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Business type activities:					
General obligation electric note	\$ ---	400,000	---	400,000	40,000
Revenue bonds/notes:					
Electric	1,085,000	---	100,000	985,000	100,000
Sewer	272,000	---	41,000	231,000	42,000
Net OPEB liability	<u>23,437</u>	<u>12,313</u>	<u>---</u>	<u>35,750</u>	<u>---</u>
Total	<u>\$ 1,380,437</u>	<u>412,313</u>	<u>141,000</u>	<u>1,651,750</u>	<u>182,000</u>

General obligation bonds/notes

Two issues of unmatured general obligation bonds/notes, totaling \$625,000, is outstanding at June 30, 2013. General obligation bonds/notes bear interest at rates ranging from .70% 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, 2022.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2013

Details of general obligation bonds/notes payable at June 30, 2013 are as follows:

	Date of <u>Issue</u>	Interest <u>Rates</u>	Final <u>Due Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2013</u>
Governmental activities:						
General obligation notes:						
Drainage improvements	Sep 13, 2006	3.95%-4.30%	June 30, 2017	45,000-60,000	\$550,000	\$ 225,000
Business type activities:						
General obligation notes:						
Electric improvements	Oct 23, 2012	.70%-1.80%	June 1, 2022	40,000-50,000	400,000	<u>400,000</u>
						<u>\$625,000</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>
2014	95,000	14,592	61,573
2015	95,000	12,030	107,030
2016	100,000	9,440	109,440
2017	105,000	6,788	111,788
2018	<u>45,000</u>	<u>3,645</u>	<u>45,645</u>
Total	\$ <u>625,000</u>	<u>54,707</u>	<u>679,707</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 \$200,572, payable through June 2018. For the current year, interest and principle paid and total TIF receipts were \$40,114 and \$152,213, respectively.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2013

Revenue bonds/notes

Four issues of unmatured revenue bonds/notes, totaling \$1,416,572, are outstanding at June 30, 2013. 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 \$1,110,050. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$124,625 and \$236,203, 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 \$241,439. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$48,545 and \$110,583, 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, 2013

- (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, 2013, the City was in compliance with the revenue bond/note provisions.

Details of revenue notes payable at June 30, 2013 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2012</u>
Governmental activities:						
Urban renewal tax increment note	Nov 28, 2010	0.00%	June 1, 2017	40,114	\$ 280,800	\$ 200,572
Total governmental activities						<u>200,572</u>
Business type activities:						
Electric revenue	Dec. 5, 2011	2.00%-3.00%	June 1, 2022	100,000-120,000	\$ 1,085,000	\$ 985,000
Sewer revenue CW9516R and CW9136R	Dec. 1, 1998	1.75%	Dec. 1, 2017	35,000-50,000	699,000	<u>231,000</u>
Total business type activities						<u>1,216,000</u>
Total						\$ <u>1,416,572</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>
2014	\$ 182,114	26,300	208,414
2015	185,114	23,539	208,653
2016	191,114	20,743	211,857
2017	193,114	17,820	210,934
2018	200,116	14,862	214,978
2019-2022	<u>465,000</u>	<u>32,226</u>	<u>497,226</u>
Total	\$ <u>1,416,572</u>	<u>135,490</u>	<u>1,552,062</u>

City of West Bend, Iowa
Notes to Financial Statements
June 30, 2013

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 4,000
	Enterprise:	
	Electric	38,580
	Gas	<u>32,080</u>
		<u>74,660</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	38,000
	Enterprise:	
	Electric	<u>3,078</u>
		<u>38,078</u>
Internal Service: Self insurance	Enterprise:	
	Water	162
	Sewer	162
	Electric	960
	Gas	756
	Special Revenue:	
	Trust and Agency	<u>360</u>
		<u>2,400</u>
Total		<u>\$ 115,138</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, 2013

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise	Special Revenue	
Gas	TIF	\$ 53,000
Enterprise:		
	Water	17,634
	Electric	<u>747,400</u>
		<u>\$ 818,034</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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$23,479, \$23,893, and \$21,115 respectively, equal to the required contributions for each year.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2013

(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, 2013, 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	1,250
Adjustment to annual required contribution	<u>(1,194)</u>
Annual OPEB cost	10,460
Contributions made	<u>---</u>
Increase in net OPEB obligation	10,460
Net OPEB obligation beginning of year	<u>31,247</u>
Net OPEB obligation end of year	<u>\$ 41,707</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2013

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, 2013.

For the year ended June 30, 2013, 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, 2013 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 %	31,247
2013	10,460	0 %	41,707

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$32,847, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$32,847. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$254,500 and the ratio of the UAAL to covered payroll was 12.9%. As of June 30, 2013, 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, 2013

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, 2012 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 \$571 per month for retirees less than age 65 and \$343 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, 2013

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 electric improvement projects. The cost is anticipated to be approximately \$271,000. The City has also committed to a sanitary sewer improvement project for approximately \$60,000. The City anticipates financing these projects from cash on hand.

(11) Deficit Balance

At June 30, 2013, there was a deficit fund balance as follows:

Special Revenue, TIF Fund	\$ 51,174
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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 January 16, 2014, 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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 286,790	-	286,790
Tax increment financing	152,373	-	152,373
Other city tax	118,603	-	118,603
Licenses and permits	1,968	-	1,968
Use of money and property	10,789	21,369	32,158
Intergovernmental	292,284	-	292,284
Charges for service	21,366	2,652,722	2,674,088
Miscellaneous	19,863	2,040	21,903
Total receipts	<u>904,036</u>	<u>2,676,131</u>	<u>3,580,167</u>
Disbursements:			
Public safety	71,596	-	71,596
Public works	171,631	-	171,631
Health and social services	4,160	-	4,000
Culture and recreation	153,852	-	153,852
Community and economic development	193,927	-	193,927
General government	47,284	-	47,284
Debt service	105,264	-	105,264
Business type activities	-	3,602,812	3,602,812
Total disbursements	<u>747,714</u>	<u>3,602,812</u>	<u>4,350,366</u>
Excess (deficiency) of receipts over (under) disbursements	156,322	(926,681)	(770,199)
Other financing sources (uses), net	<u>32,378</u>	<u>365,242</u>	<u>397,620</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	188,700	(561,439)	(372,739)
Balances beginning of year	<u>777,192</u>	<u>3,478,949</u>	<u>4,256,141</u>
Balances end of year	<u>\$ 965,892</u>	<u>2,917,510</u>	<u>3,883,402</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
288,273	288,273	(1,483)
156,115	156,115	(3,742)
98,334	98,334	20,269
2,050	2,050	(82)
11,700	11,700	20,458
376,795	416,795	(124,511)
2,607,400	2,607,400	66,688
<u>31,218</u>	<u>103,218</u>	<u>(81,315)</u>
<u>3,571,885</u>	<u>3,683,885</u>	<u>(103,718)</u>
163,070	156,070	84,474
211,500	211,500	39,869
5,000	5,000	1,000
283,685	283,685	129,833
318,760	343,260	149,333
45,270	52,270	4,986
102,190	105,270	6
<u>4,104,910</u>	<u>4,194,655</u>	<u>591,843</u>
<u>5,234,385</u>	<u>5,351,710</u>	<u>1,001,344</u>
(1,662,500)	(1,667,825)	897,626
<u>375,000</u>	<u>375,000</u>	<u>22,620</u>
(1,287,500)	(1,292,825)	920,086
<u>4,256,140</u>	<u>4,256,140</u>	<u>1</u>
<u>2,968,640</u>	<u>2,963,315</u>	<u>920,087</u>

City of West Bend, Iowa
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2013

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual	Modified	Cash Basis	Enterprise	
		Adjust- ments	Accrual Basis		Cash Basis	Adjust- ments
Revenues	\$ 904,036	24,559	928,595	2,676,131	37,847	2,713,978
Expenditures/expenses	<u>(747,714)</u>	<u>50,752</u>	<u>(696,962)</u>	<u>(3,602,812)</u>	<u>1,107,857</u>	<u>(2,494,955)</u>
Net	156,322	75,311	231,633	(926,681)	1,145,704	219,023
Other financing sources, net	32,378	41,360	73,738	365,242	(441,020)	(75,778)
Beginning fund balances/ net position	<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>
Ending fund balances/net position	<u>\$ 965,892</u>	<u>998</u>	<u>966,890</u>	<u>2,917,510</u>	<u>4,839,489</u>	<u>7,756,999</u>

See accompanying independent auditors report.

City of West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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, one budget amendment increased budgeted receipts by \$112,000 and budgeted disbursements by \$117,325. 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

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((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%
2013	July 1, 2012	-	\$ 32,847	\$ 32,847	0%	\$254,500	12.9%

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.

Supplementary Information

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

	Special Revenue					Total
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel Motel Tax	Debt Service	
Assets						
Cash and cash equivalents	\$ 61,651	30,428	177,508	29,928	660	300,175
Receivables:						
Property tax:						
Delinquent	-	295	-	-	192	487
Succeeding year	-	30,457	-	-	29,981	60,438
Accrued interest	-	2	36	-	-	38
Due from other governments	6,429	-	6,657	4,331	-	17,417
Total assets	<u>\$ 68,080</u>	<u>61,182</u>	<u>184,201</u>	<u>34,259</u>	<u>30,833</u>	<u>378,555</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	\$ 84	-	-	2,500	-	2,584
Deferred revenue:						
Succeeding year property tax	-	30,457	-	-	29,981	60,438
Total liabilities	84	30,457	-	2,500	29,981	63,022
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	852	852
Infrastructure improvements	-	-	184,201	-	-	184,201
Street maintenance and improvements	67,996	-	-	-	-	67,996
Other purposes	-	30,725	-	31,759	-	62,484
Total fund balances	67,996	30,725	184,201	31,759	852	315,533
Total liabilities and fund balances	<u>\$ 68,080</u>	<u>61,182</u>	<u>184,201</u>	<u>34,259</u>	<u>30,833</u>	<u>378,555</u>

See accompanying independent auditor's report.

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

Year ended June 30, 2013

	Special Revenue					Total
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel/Motel Tax	Debt Service	
Revenues:						
Property tax	\$ -	37,002	-	-	27,123	64,125
Other city tax	-	46	68,096	15,617	28	83,787
Use of money and property	-	39	642	-	-	681
Intergovernmental	76,113	-	-	-	-	76,113
Total revenues	76,113	37,087	68,738	15,617	27,151	224,706
Expenditures:						
Operating:						
Public safety:						
Police	-	198	-	-	-	198
Public works:						
Roadway maintenance	54,734	-	-	-	-	54,734
Culture and recreation:						
Library	-	16,471	-	-	-	16,471
Parks	-	135	-	-	-	135
Ice skating	-	525	-	-	-	525
Swimming pool	-	1,397	-	-	-	1,397
Other	-	-	-	3,500	-	3,500
	-	18,528	-	3,500	-	22,028
Community and economic development:						
Economic development	-	-	-	-	-	-
General government:						
Mayor/council	-	110	-	-	-	110
	-	110	-	-	-	110
Debt service	-	-	-	-	65,150	65,150
Total expenditures	54,734	18,836	-	3,500	65,150	142,220
Excess (deficiency) of revenues over (under) expenditures	21,379	18,251	68,738	12,117	(37,999)	82,486

(continued)

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

Year ended June 30, 2013

	Special Revenue				Debt Service	Total
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel/ Motel Tax		
Other financing sources (uses):						
Operating transfers in	-	-	-	-	38,078	38,078
Operating transfers out	-	-	(35,000)	(4,000)	-	(39,000)
Total other financing sources (uses)	-	-	(35,000)	(4,000)	38,078	(922)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	21,379	18,251	33,738	8,117	79	81,564
Fund balances beginning of year	46,617	12,474	150,463	23,642	773	233,969
Fund balances end of year	\$ 67,996	30,725	184,201	31,759	852	315,533

See accompanying independent auditor's report.

Combining Schedule of Net Position

Nonmajor Proprietary Funds

June 30, 2013

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Assets			
Current assets:			
Cash	\$ 7,761	49,677	57,438
Accounts receivable	-	19,537	19,537
Interest receivable	-	6	6
	<u>-</u>	<u>6</u>	<u>6</u>
Total assets	<u>7,761</u>	<u>69,220</u>	<u>76,981</u>
Liabilities			
Current liabilities:			
Accounts payable	-	11,290	11,290
Consumer deposits	7,761	-	7,761
Total liabilities	<u>7,761</u>	<u>11,290</u>	<u>19,051</u>
Net position			
Unrestricted	-	57,930	57,930
	<u>-</u>	<u>57,930</u>	<u>57,930</u>
Total net position	<u>\$ -</u>	<u>57,930</u>	<u>57,930</u>

See accompanying independent auditor's report.

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

Nonmajor Proprietary Funds

For the Year ended June 30, 2013

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Operating revenues:			
Charges for service	\$ -	149,582	149,582
Total operating revenues	-	149,582	149,582
Operating expenses:			
Business type activities:			
Contractual services	-	138,454	138,454
Other supplies and expenses	-	4,168	4,168
Total operating expenses	-	142,622	142,622
Operating income (loss)	-	6,960	6,960
Non-operating revenues (expenses):			
Interest and investment revenue	-	88	88
Total non-operating revenue (expenses)	-	88	88
Change in net position	-	7,048	7,048
Net position beginning of year	-	50,882	50,882
Net position end of year	\$ -	57,930	57,930

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 Ten Years

	Modified Accrual Basis			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Property tax	\$ 284,446	279,563	218,889	227,178
Tax increment financing revenue	152,213	121,826	247,497	240,529
Other city tax	121,026	124,871	101,249	101,127
Licenses and permits	1,816	2,293	1,542	2,167
Use of money and property	10,982	11,724	11,979	13,114
Intergovernmental	301,032	271,886	256,034	307,794
Charges for service	21,329	15,597	21,454	17,823
Miscellaneous	<u>35,751</u>	<u>33,945</u>	<u>26,261</u>	<u>33,410</u>
Total	<u>\$ 928,595</u>	<u>861,705</u>	<u>884,905</u>	<u>943,142</u>
Expenditures:				
Operating:				
Public safety	\$ 66,160	147,050	134,124	82,921
Public works	138,762	193,461	464,040	162,591
Health and social services	4,160	4,000	4,000	-
Culture and recreation	149,881	158,970	168,317	179,573
Community and economic development	228,919	212,273	56,364	247,509
General government	43,930	40,393	44,927	34,787
Debt service	<u>65,150</u>	<u>64,123</u>	<u>160,995</u>	<u>114,950</u>
Total	<u>\$ 696,962</u>	<u>820,270</u>	<u>1,032,767</u>	<u>822,331</u>

See accompanying independent auditor's report.

Schedule 5

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
222,728	200,680	210,299	209,722	201,365	193,519
229,553	154,555	158,828	146,977	134,041	94,079
105,935	99,455	104,198	56,917	62,266	56,931
2,967	2,855	3,099	3,230	3,115	3,283
15,589	21,571	18,998	13,292	7,584	5,899
174,204	195,474	124,653	210,543	152,098	238,550
16,224	13,658	12,393	11,903	9,943	8,478
33,456	20,319	33,591	49,462	30,831	21,455
<u>800,656</u>	<u>708,567</u>	<u>666,059</u>	<u>702,046</u>	<u>601,243</u>	<u>622,194</u>
189,618	73,716	96,037	68,924	76,435	91,467
508,678	177,446	641,513	109,412	238,622	178,388
-	-	-	-	-	-
164,467	126,017	135,020	123,805	145,456	131,270
205,688	157,325	163,820	169,720	102,183	175,995
35,159	34,072	37,661	45,570	37,267	30,803
113,647	112,047	119,130	142,227	168,150	87,203
<u>1,217,257</u>	<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, 2013 and 2012

Schedule 6

	<u>6-30-13</u>	<u>6-30-12</u>
Operating revenues:		
Metered sales	\$ 99,636	97,720
Miscellaneous	<u>77,528</u>	<u>6,485</u>
Total operating revenue	<u>177,164</u>	<u>104,205</u>
 Operating expenses:		
Distribution system maintenance:		
Salaries	15,086	14,744
Payroll taxes and benefits	7,929	7,080
Utilities	17,833	11,167
Salt and supplies	16,999	27,105
Building and equipment maintenance	99,047	20,546
Insurance	3,091	2,670
Professional fees	307	800
Miscellaneous	<u>3,077</u>	<u>3,837</u>
	<u>163,369</u>	<u>87,949</u>
 Depreciation:		
Water tower	8,918	8,918
Treatment plant	57,122	55,282
Equipment	<u>495</u>	<u>305</u>
	<u>66,535</u>	<u>64,505</u>
 Total operating expenses	<u>229,904</u>	<u>152,454</u>
 Operating income (loss)	<u>(52,740)</u>	<u>(48,249)</u>
 Non-operating revenues (expenses):		
Interest income	543	503
Interest expense	<u>(676)</u>	<u>(1,107)</u>
Total non-operating revenues (expenses)	<u>(133)</u>	<u>(604)</u>
 Net income (loss) before operating transfer	(52,873)	(48,853)
Interfund transfer	<u>(162)</u>	<u>14,838</u>
Net income	<u>\$ (53,035)</u>	<u>(34,015)</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Sewer Utility
 Years ended June 30, 2013 and 2012

Schedule 7

	<u>6-30-13</u>	<u>6-30-12</u>
Operating revenues:		
Sewer rental charges	\$ 145,318	141,464
Miscellaneous	<u>355</u>	<u>3,339</u>
Total operating revenue	<u>145,673</u>	<u>144,803</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	15,086	14,744
Payroll taxes and benefits	7,929	7,080
Utilities	2,504	2,783
Maintenance and repair	7,103	24,235
Insurance	1,009	861
Supplies	400	710
Amortization	413	413
Miscellaneous	<u>646</u>	<u>712</u>
	<u>35,090</u>	<u>51,538</u>
Depreciation:		
Furniture and fixtures	1,071	1,071
Vehicles	667	2,000
Sewer plant	<u>79,310</u>	<u>71,978</u>
	<u>81,048</u>	<u>75,049</u>
Total operating expenses	<u>116,138</u>	<u>126,587</u>
Operating income	<u>29,535</u>	<u>18,216</u>
Non-operating revenues (expenses):		
Interest income	2,220	3,498
Interest expense	<u>(7,579)</u>	<u>(8,647)</u>
Total non-operating revenues (expenses)	<u>(5,359)</u>	<u>(5,149)</u>
Net income before operating transfer	24,176	13,067
Interfund transfer	<u>(162)</u>	<u>(162)</u>
Net income	<u>\$ 24,014</u>	<u>12,905</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Electric Utility
 Years ended June 30, 2013 and 2012

Schedule 8

	<u>6-30-13</u>	<u>6-30-12</u>
Operating revenues:		
Metered sales	\$ 1,270,940	1,188,640
Miscellaneous	<u>36,378</u>	<u>25,277</u>
Total operating revenue	<u>1,307,318</u>	<u>1,213,917</u>
Operating expenses:		
Production:		
Salaries	32,455	33,201
Payroll taxes and benefits	8,349	8,696
Utilities	12,664	10,511
Electric energy purchased	598,396	515,760
Maintenance - Plant, building, engines	27,934	12,857
Walter Scott power plant	<u>71,551</u>	<u>54,082</u>
	<u>751,349</u>	<u>635,107</u>
Distribution system maintenance:		
Salaries	23,431	19,678
Payroll taxes and benefits	8,154	4,994
Lines, poles, towers, conductors, meters, etc.	63,459	78,851
Telephone and radio	1,082	667
Motor vehicles	6,009	5,650
Supplies	5,822	9,453
Professional fees	<u>5,340</u>	<u>17,548</u>
	<u>113,297</u>	<u>136,841</u>
Collection and accounting:		
Salaries	40,537	36,956
Payroll taxes and benefits	16,338	15,271
Office supplies	3,984	2,655
Programming	<u>931</u>	<u>2,808</u>
	<u>61,790</u>	<u>57,690</u>
Administrative:		
Salaries	25,806	21,655
Payroll taxes and benefits	14,418	9,011
Professional fees	26,811	42,782

(continued)

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Electric Utility
 Years ended June 30, 2013 and 2012

Schedule 8

	<u>6-30-13</u>	<u>6-30-12</u>
Operating expenses (continued):		
Administrative (continued):		
Insurance	33,996	30,760
Telephone and radio	1,564	1,475
Miscellaneous taxes	2,116	3,258
Property taxes	11,632	11,514
Amortization	608	608
Miscellaneous	<u>27,728</u>	<u>11,097</u>
	<u>144,679</u>	<u>132,160</u>
Depreciation:		
Buildings	321	321
Generating plant and equipment	98,913	97,093
Distribution system	67,692	65,764
Furniture and fixtures	7,595	7,529
Vehicles	<u>2,807</u>	<u>2,772</u>
	<u>177,328</u>	<u>173,479</u>
Total operating expenses	<u>1,248,443</u>	<u>1,135,277</u>
Operating income	58,875	78,640
Non-operating revenues (expenses):		
Interest income	8,009	11,718
Interest expense	<u>(29,699)</u>	<u>(57,862)</u>
Total non-operating revenues (expenses)	<u>(21,690)</u>	<u>(46,144)</u>
Net income before operating transfers	37,185	32,496
Interfund transfer	<u>(42,618)</u>	<u>(36,260)</u>
Net income	<u>\$ (5,433)</u>	<u>(3,764)</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2013 and 2012

Schedule 9

	<u>6-30-13</u>	<u>6-30-12</u>
Operating revenues:		
Metered sales	\$ 907,484	813,273
Miscellaneous	9,030	1,923
Total operating revenue	<u>916,514</u>	<u>815,196</u>
Operating expenses:		
Production:		
Cost of gas purchased	<u>530,720</u>	<u>458,076</u>
Distribution system maintenance:		
Salaries	24,568	25,350
Payroll taxes and benefits	10,535	9,640
Utilities	4,359	3,307
Meters, mains, valves	13,618	4,802
Equipment and building repairs	6,041	7,433
Miscellaneous	748	1,383
	<u>59,869</u>	<u>51,915</u>
Collection and accounting:		
Salaries	37,897	37,572
Payroll taxes and benefits	16,338	15,270
Office supplies	3,849	2,673
Professional fees	931	2,763
	<u>59,015</u>	<u>58,278</u>
Administrative:		
Salaries	25,483	24,101
Payroll taxes and benefits	13,769	11,431
Insurance	6,572	5,429
Professional fees	4,108	2,523
Telephone	1,564	1,516
Meetings and travel	1,651	599
Dues	2,550	2,100
Miscellaneous	5,880	6,384
	<u>61,577</u>	<u>54,083</u>

(continued)

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2013 and 2012

Schedule 9

	<u>6-30-13</u>	<u>6-30-12</u>
Operating expenses (continued):		
Depreciation:		
Distribution systems	3,064	3,352
Furniture and fixtures	1,470	1,116
Vehicles	4,179	4,179
	<u>8,713</u>	<u>8,647</u>
Total operating expenses	<u>719,894</u>	<u>630,999</u>
Operating income	196,620	184,197
Non-operating revenues (expenses):		
Interest income	<u>6,867</u>	<u>10,092</u>
Total non-operating revenues (expenses)	<u>6,867</u>	<u>10,092</u>
Net income before operating transfers	203,487	194,289
Interfund transfer	<u>(32,836)</u>	<u>(29,466)</u>
Net income	<u>\$ 170,651</u>	<u>164,823</u>

See accompanying independent auditor's report.

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

Certified Public Accountants

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

To the Honorable Mayor and
Members of the City Council:

We have audited 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, the 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, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Bend's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Bend's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Bend's internal control.

Our consideration of internal control 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control 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-13 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-13 and I-B-13 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, 2013 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.

City of West Bend's Responses to Findings

The City of West Bend's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of West Bend's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 16, 2014

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-13 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-13 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, 2013

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-13 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, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013, did not exceed the amounts budgeted.
- II-B-13 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-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bruce Helleseeth, Council Member Owner of Helleseeth Construction	Repairs	\$2,470

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

- II-E-13 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-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-13 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.

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2013

II-H-13 Revenue Bonds/Notes – The provisions of the resolutions for the issuance of the City’s revenue bonds/notes were complied with.

II-I-13 Deficit Balances – The Special Revenue TIF fund had a deficit balance of \$51,174 at June 30, 2013.

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.

II-J-13 Urban Renewal Annual Report – The urban renewal annual report was properly and certified to the Iowa Department of Management on or before December 1.