

CITY OF WEST BEND, IOWA

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

YEAR ENDED JUNE 30, 2014

City of West Bend, Iowa

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City of West Bend, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Marilyn Schutz	Mayor	12-31-13
Paul Lauck	Mayor Pro Tem	12-31-15
Bruce Helleseth	Council Member	12-13-13
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
(After January 2014)		
Marilyn Schutz	Mayor	12-31-15
Paul Lauck	Mayor Pro Tem	12-31-15
Bruce Helleseth	Council Member	12-31-17
Chris Newton	Council Member	12-31-17
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, 2014, and the related Notes to 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 evaluating 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, 2014, 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 an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2013 (which are not presented herein) and expressed unmodified 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 28, 2015 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 28, 2015

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, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the City of West Bend exceeded liabilities at June 30, 2014 by \$10,551,182. Of this amount, \$4,225,083 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$394,393 during the year. Of this amount the assets of governmental activities increased \$102,535 and the assets of business activities increased by \$291,858.
- Total debt decreased by \$275,769 during the 2013–2014 fiscal year. Of this amount, governmental activities retired \$90,309 of existing debt and business type activities retired \$185,460 of existing debt. Governmental activities added \$4,805 in additional debt and business activities did not add any additional debt. These amounts include OPEB liabilities.

USING THIS REPORT

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

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2014.

	Governmental Activities	Business Type Activities	2014 Total	2013 Total
Current and Other Assets	\$ 1,554,331	3,421,605	4,975,936	5,355,910
Capital Assets	1,783,060	6,248,063	8,031,123	7,514,526
Total Assets	3,337,391	9,669,668	13,007,059	12,870,436
Long-term Liabilities	341,764	1,470,781	1,812,545	2,098,884
Other Liabilities	26,755	132,694	159,449	158,548
Total Liabilities	368,519	1,603,475	1,971,994	2,257,432
Deferred Inflows of Resources	483,883		483,883	456,215
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,452,603	4,102,563	5,555,166	4,725,554
Restricted	317,060	453,873	770,933	1,077,818
Unrestricted	715,326	3,509,757	4,225,083	4,353,417
Net Total Assets	\$ 2,484,989	8,066,193	10,551,182	10,156,789

\$770,933 of the City of West Bend's net assets (7.3%) represents resources that are subject to external restrictions of their use. The remaining balance of unrestricted net assets, \$4,225,083 may be used to meet the City's on going obligations to citizens and creditors.

The City of West Bend, as a whole, is able to report a positive balance in their net assets for fiscal year ending June 30, 2014.

Net assets of governmental activities increased from FY13 to FY14 by approximately \$102,535. Net assets of the business type activities increased from FY13 to FY14 by approximately \$291,858.

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

	Governmental Activities	Business Type Activities	2014 Total	2013 Total
Program Revenues:				
Charges for Service	\$ 25,964	3,107,950	3,133,914	2,733,166
Operating Grants, Contributions & Restricted Interest	188,217	-	188,217	179,015
Capital Grants, Contributions & Restricted Interest	20,354	-	20,354	82,342
General Revenues:				
Property Tax for General Purposes	297,113	-	297,113	294,608
Property Tax for Debt Service	30,088	-	30,088	27,151
Tax Increment Financing Revenue	154,048	-	154,048	152,213
Local Option Sales Tax	80,066	-	80,066	68,096
Local Hotel Motel Tax	7,690	-	7,690	15,617
Unrestricted Investment Earnings	10,108	14,672	24,780	28,709
Miscellaneous	176,472	206	176,678	62,016
Transfers	(83,340)	83,340	-	-
Total Revenue	906,780	3,206,168	4,112,948	3,642,933
Program Expenses:				
Public Safety	118,665	-	118,665	35,855
Public Works	259,096	-	259,096	217,642
Health & Social Services	3,750	-	3,750	4,160
Culture & Recreation	156,563	-	156,563	149,993
Community & Economic Development	162,964	-	162,964	188,805
General Government	47,283	-	47,283	44,311
Interest on Long Term Debt	55,924	-	55,924	14,979
Water	-	232,475	232,475	230,628
Sewer	-	122,608	122,608	123,765
Electric	-	1,494,749	1,494,749	1,279,228
Gas	-	932,388	932,388	721,672
Other Non-major	-	132,090	132,090	142,622
Total Expenses	804,245	2,914,310	3,718,555	3,153,660
Increase in Net Assets	102,535	291,858	394,393	489,273
Net Assets July 1, 2013	2,382,454	7,774,335	10,156,789	9,667,516
Net Assets June 30, 2014	\$ 2,484,989	8,066,193	10,551,182	10,156,789

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

At June 30, 2014, the City of West Bend's governmental funds reported a total fund balance of \$1,035,767. This is more than the \$966,890 total fund balance at June 30, 2013. 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 FY14 with a \$762,947 balance compared to the previous year ending fund balance of \$702,531. This increase is due to added property tax.
- **Road Use Fund** – The Road Use Fund accounts for revenue received from the State of Iowa for street purposes. The Road Use Fund ended FY14 with a \$82,085 balance compared to the previous year ending fund balance of \$61,651. 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 FY14 with a (\$44,240) balance compared to the previous year ending fund balance of (\$51,174). 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 FY14 with a \$680 balance compared to the previous year ending balance of \$773. There was not any major 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 FY14 with a \$937,077 net asset balance compared to the prior year ending net asset balance of \$978,553. This decrease is due to an increase in expenditures affiliated with Water System Improvements. The production wells required extensive maintenance.
- **Sewer Fund** – The Sewer Fund, which accounts for the operation of the City's wastewater treatment and sanitary sewer system, ended FY14 with a \$1,174,473 net asset balance compared to the prior year ending net asset balance of \$1,083,055. 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 FY14 with a \$3,717,319 net asset balance compared to the prior year ending net asset balance of \$3,617,425. This increase is due to additional revenue generated through miscellaneous projects and power sales.

- *Gas Fund* – The Gas Fund, which accounts for the operation of the municipal gas utility, ended FY14 with a \$2,154,068 net asset balance compared to the prior year ending net asset balance of \$2,020,036. This increase is due to added customer sales because of the longer heating season.

BUDGETARY HIGHLIGHTS

During the fiscal year ending June 30, 2014, the City amended its budget two times. The first amendment was made in April of 2014. The amendment provided for additional disbursements due to storm water drainage, housing rehabilitation projects, water system repairs, power plant improvements and Casino Grant Projects. The second amendment was made in June of 2014. This amendment provided for additional expenditures due to increases in additional water system repairs, sales tax, line rehabilitation, equipment purchase and natural gas.

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 \$1,783,060 (net of accumulated depreciation) at June 30, 2014. Capital assets for business type activities totaled \$6,248,063 (net of accumulated depreciation) at June 30, 2014.

The major capital outlays for governmental activities during the fiscal year included the rehabilitation and maintenance of streets and the purchase of a new early warning siren system.

The major capital outlays for business activities during this fiscal year included the relocation of storm sewer, installation of water and sewer in the West Bend Industrial Park No. 2 and the installation of the new generator at the Municipal Light Plant.

Construction in progress for business activities consists of the installation of a catalytic converter at the Municipal Light Plant in order to comply with new EPA regulations.

Future commitments include the construction of a new production well for improved water quality and quantity.

Long-Term Debt

At June 30, 2013, the City of West Bend had \$431,530 in long-term debt for the governmental activities. Total long-term debt in the business type activities was \$1,651,750 at June 30, 2013. More detailed information about the City's long-term debt is provided below:

- After making bond principal payments of \$95,114 and an increase of \$4,805 in OPEB liabilities during FY14, the City had \$341,221 in general obligation bonds/notes outstanding as of June 30, 2014. 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 \$182,000 and a decrease of \$3,460 in OPEB liabilities during FY14, the City had \$1,466,290 in total revenue bonds/notes outstanding as of June 30, 2014. 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 for 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 FY15 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 FY15 with a fund balance of approximately \$658,000.

The tax levy rates per \$1,000 of taxable valuation for FY15 are provided below:

<u>FY15 Levy Rates</u>	
General Levy Rate	\$ 8.10000
Insurance	1.47825
Employee Benefits	1.11184
Debt Service	0.83314
<u>Total</u>	<u>\$ 11.52323</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Statement of Net Position

June 30, 2014

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,078,880	2,483,528	3,562,408
Receivables:			
Property tax:			
Delinquent	3,964	-	3,964
Succeeding year	302,430	-	302,430
Tax increment financing:			
Delinquent	2,754	-	1,264
Succeeding year	181,453	-	122,885
Customer accounts	-	305,617	305,617
Accrued interest	311	1,008	1,319
Due from other governments	28,502	-	28,502
Internal balances	(65,000)	65,000	-
Inventories	-	167,189	167,189
Prepaid expenses	21,037	36,608	57,645
Bond issuance costs	-	6,513	6,513
Patronage dividends	-	23,793	23,793
Restricted assets:			
Cash	-	332,349	332,349
Capital assets (net of accumulated depreciation)	<u>1,783,060</u>	<u>6,248,063</u>	<u>8,031,123</u>
Total assets	<u>3,337,391</u>	<u>9,669,668</u>	<u>13,007,059</u>
Liabilities			
Accounts payable	24,235	112,296	136,531
Salaries and benefits payable	1,420	2,776	4,196
Sales tax payable	498	7,395	7,893
Interest payable	602	1,995	2,597
Liabilities payable from restricted assets:			
Customer deposits	-	8,232	8,232

(continued)

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
Liabilities (continued)			
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	145,000	185,114
Compensated absences	544	4,491	5,035
Portion due or payable after one year:			
General obligation bonds/notes	115,000	320,000	435,000
Revenue bonds/notes payable	120,343	929,000	1,049,343
Net OPEB liability	10,763	32,290	43,053
Total liabilities	<u>368,519</u>	<u>1,603,475</u>	<u>1,971,994</u>
Deferred Inflows of resources			
Unavailable revenues:			
Succeeding year property tax	302,430	-	302,430
Tax increment financing	181,453	-	181,453
Total deferred inflows of resources	<u>483,883</u>	<u>-</u>	<u>483,883</u>
Net Position			
Invested in capital assets, net of related debt	1,452,603	4,102,563	5,555,166
Restricted for:			
Debt service	680	-	680
Infrastructure improvements	179,913	-	179,913
Road purposes	87,690	-	87,690
Revenue bond retirement	-	129,757	129,757
Electric improvements	-	324,116	324,116
Other purposes	48,777	-	48,777
Unrestricted	715,326	3,509,757	4,225,083
Total net position	<u>\$ 2,484,989</u>	<u>8,066,193</u>	<u>10,551,182</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Activities
Year ended June 30, 2014

Functions/Programs:	<u>Expenses</u>	Charges for <u>Service</u>	Program Revenues	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Public safety	\$ 118,665	177	13,338	13,609
Public works	259,096	-	78,013	-
Health and social services	3,750	-	-	-
Culture and recreation	156,563	25,491	24,670	2,424
Community and economic development	162,964	296	72,196	4,321
General government	47,283	-	-	-
Interest on long-term debt	55,924	-	-	-
Total governmental activities	804,245	25,964	188,217	20,354
Business type activities:				
Water	232,475	115,816	-	-
Sewer	122,608	146,883	-	-
Electric	1,494,749	1,621,540	-	-
Gas	932,388	1,085,307	-	-
Other nonmajor	132,090	138,404	-	-
Total business type activities	2,914,310	3,107,950	-	-
Total	\$ 3,718,555	3,133,914	188,217	20,354

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
(91,541)	-	(91,541)
(181,083)	-	(181,083)
(3,750)	-	(3,750)
(103,978)	-	(103,978)
(86,151)	-	(86,151)
(47,283)	-	(47,283)
(55,924)	-	(55,924)
<u>(569,710)</u>	<u>-</u>	<u>(569,710)</u>
-	(116,659)	(116,659)
-	24,275	24,275
-	126,791	126,791
-	152,919	152,919
-	6,314	6,314
-	<u>193,640</u>	<u>193,640</u>
<u>(569,710)</u>	<u>193,640</u>	<u>(376,070)</u>
\$ 297,113	-	297,113
30,088	-	30,088
154,048	-	154,048
80,066	-	80,066
7,690	-	7,690
10,108	14,672	24,780
176,472	206	176,678
(83,340)	83,340	-
<u>672,245</u>	<u>98,218</u>	<u>770,463</u>
102,535	291,858	394,393
<u>2,382,454</u>	<u>7,774,335</u>	<u>10,156,789</u>
<u>\$ 2,484,989</u>	<u>8,066,193</u>	<u>10,551,182</u>

City of West Bend, Iowa
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit C

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 745,406	324,947	1,070,353
Receivables:			
Property tax:			
Delinquent	3,105	859	3,964
Succeeding year	246,841	55,589	302,430
Tax increment financing:			
Delinquent	-	2,754	2,754
Succeeding year	-	181,453	181,453
Accrued interest	264	48	312
Due from other governments	12,271	16,231	28,502
Prepaid insurance	21,037	-	21,037
Total assets	<u>\$ 1,028,924</u>	<u>581,881</u>	<u>1,610,805</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 17,219	7,015	24,234
Salaries and benefits payable	1,420	-	1,420
Sales tax payable	498	-	498
Due to other funds	-	65,000	65,000
Total liabilities	<u>19,137</u>	<u>72,015</u>	<u>91,152</u>
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	246,841	55,589	302,430
Tax increment financing	-	181,453	181,453
Total deferred inflows of resources	<u>246,841</u>	<u>237,042</u>	<u>483,883</u>
 Fund balances:			
Nonspendable:			
Prepaid expenditures	21,037	-	21,037
Restricted for:			
Debt service	-	680	680
Infrastructure improvements	-	179,913	179,913
Street maintenance and improvements	-	87,690	87,690
Other purposes	-	48,777	48,777
Unassigned	741,910	(44,240)	697,670
Total fund balances	<u>762,947</u>	<u>272,820</u>	<u>1,035,767</u>
 Total liabilities, deferred inflows of resources and fund balances			
	<u>\$ 1,028,925</u>	<u>581,877</u>	<u>1,610,802</u>

See notes to financial statements.

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

June 30, 2014

Total governmental fund balances (page 16) \$ 1,035,767

*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. 1,783,060

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. 8,528

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. (342,366)

Net position of governmental activities (page 13) \$ 2,484,989

See notes to financial statements.

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

Governmental Funds

Year ended June 30, 2014

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:			
Property tax	\$ 228,519	61,748	290,267
Tax increment financing	-	154,048	154,048
Other city tax	36,864	87,824	124,688
Licenses and permits	2,211	-	2,211
Use of money and property	9,309	799	10,108
Intergovernmental	175,301	78,013	253,314
Charges for service	23,728	-	23,728
Miscellaneous	85,350	45,683	131,033
Total revenues	<u>561,282</u>	<u>428,115</u>	<u>989,397</u>
Expenditures:			
Operating:			
Public safety:			
Police	55,612	14,013	69,625
Civil defense	34,353	-	34,353
Fire	26,435	-	26,435
Animal control	77	-	77
	<u>116,477</u>	<u>14,013</u>	<u>130,490</u>
Public works:			
Roadway maintenance	85,761	58,319	144,080
Storm sewer	23,337	-	23,337
Street lighting	8,300	-	8,300
Traffic safety	790	-	790
Street cleaning	1,298	-	1,298
	<u>119,486</u>	<u>58,319</u>	<u>177,805</u>
Health and social services			
Water, air, and mosquito control	3,750	-	3,750
Culture and recreation:			
Library	71,944	14,756	86,700
Parks	5,715	209	5,924
Ice skating	10,903	626	11,529
Community center	3,786	-	3,786
Swimming pool	36,649	1,665	38,314
Other	9,294	7,564	16,858
	<u>138,291</u>	<u>24,820</u>	<u>163,111</u>

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

Governmental Funds

Year ended June 30, 2014

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Community and economic development:			
Economic development	11,448	112,227	123,675
Other	79,403	-	79,403
	<u>90,851</u>	<u>112,227</u>	<u>203,078</u>
General government:			
Mayor/council	3,548	112	3,660
City clerk/treasurer	5,366	-	5,366
Elections	1,051	-	1,051
Legal	3,001	-	3,001
General liability insurance	34,205	-	34,205
	<u>47,171</u>	<u>112</u>	<u>47,283</u>
Debt service	-	110,943	110,943
Total expenditures	<u>516,026</u>	<u>320,434</u>	<u>836,460</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,256</u>	<u>107,681</u>	<u>152,937</u>
Other financing sources (uses):			
Operating transfers in	70,160	65,000	135,160
Operating transfers out	(55,000)	(164,220)	(219,220)
Total other financing sources (uses)	<u>15,160</u>	<u>(99,220)</u>	<u>(84,060)</u>
Change in fund balances	60,416	8,461	68,877
Fund balances (deficit) beginning of year	<u>702,531</u>	<u>264,359</u>	<u>966,890</u>
Fund balances (deficit) end of year	<u>\$ 762,947</u>	<u>272,820</u>	<u>1,035,767</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, 2014

Net change in fund balances - Total governmental funds (page 19) **\$ 68,877**

*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	\$ 82,314	
Depreciation expense	<u>(139,214)</u>	(56,900)

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:

Repaid	<u>95,114</u>	95,114
--------	---------------	--------

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	7	
Other postemployment benefits	(4,805)	
Interest on long-term debt	<u>191</u>	(4,607)

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.

51

Change in net position of governmental activities (page 15) **\$ 102,535**

See notes to financial statements.

City of West Bend, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Assets				
Current Assets:				
Cash and cash equivalents	\$ 63,429	375,570	591,597	1,374,819
Accounts receivable	15,209	20,721	190,649	62,208
Interest receivable	7	102	505	376
Prepaid expenses	2,807	596	28,458	4,747
Inventory	9,465	-	151,242	6,482
Due from other funds	-	65,000	-	711,500
Total current assets	<u>90,917</u>	<u>461,989</u>	<u>962,451</u>	<u>2,160,132</u>
Restricted cash	-	-	324,117	-
Bond issuance costs	-	1,650	4,863	-
Patronage dividends receivable	-	-	23,793	-
Capital assets:				
Land	1,000	-	4,750	-
Construction in progress	-	-	1,310,916	-
Buildings and equipment	1,924,933	1,909,489	7,114,172	352,943
Less accumulated depreciation	<u>(1,068,833)</u>	<u>(1,006,212)</u>	<u>(3,986,311)</u>	<u>(308,784)</u>
Total noncurrent assets	<u>857,100</u>	<u>904,927</u>	<u>4,796,300</u>	<u>44,159</u>
Total assets	<u>948,017</u>	<u>1,366,916</u>	<u>5,758,751</u>	<u>2,204,291</u>
Liabilities				
Accounts payable	7,861	552	58,510	33,668
Salaries payable	-	-	1,560	1,216
Sales tax payable	657	193	4,353	2,192
Interest payable	-	276	1,719	-
Due to other funds	-	-	711,500	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Total current liabilities	<u>8,518</u>	<u>1,021</u>	<u>777,642</u>	<u>37,076</u>
Noncurrent liabilities:				
Compensated absences	-	-	2,645	1,846
Net OPEB liability	2,422	2,422	16,145	11,301
Bonds, notes, and loans payable	-	189,000	1,245,000	-
Total noncurrent liabilities	<u>2,422</u>	<u>191,422</u>	<u>1,263,790</u>	<u>13,147</u>
Total liabilities	<u>10,940</u>	<u>192,443</u>	<u>2,041,432</u>	<u>50,223</u>

Exhibit G

Other Nonmajor Enterprise Funds	<u>Total</u>	Internal Service Fund Self Insurance
59,201	2,464,616	27,440
16,830	305,617	-
18	1,008	-
-	36,608	-
-	167,189	-
-	776,500	-
<u>76,049</u>	<u>3,751,538</u>	<u>27,440</u>
8,232	332,349	-
-	6,513	-
-	23,793	-
-	5,750	-
-	1,310,916	-
-	11,301,537	-
-	(6,370,140)	-
<u>8,232</u>	<u>6,610,718</u>	-
<u>84,281</u>	<u>10,362,256</u>	<u>27,440</u>
11,705	112,296	-
-	2,776	-
-	7,395	-
-	1,995	-
-	711,500	-
<u>8,232</u>	<u>8,232</u>	-
<u>19,937</u>	<u>844,194</u>	-
-	4,491	-
-	32,290	-
-	1,434,000	-
-	1,470,781	-
<u>19,937</u>	<u>2,314,975</u>	-

City of West Bend, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds			
	<u>Water</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	<u>Electric</u> <u>Utility</u>	<u>Gas</u> <u>Utility</u>
Net Position				
Net investment in capital assets	857,100	714,277	2,487,027	44,159
Restricted for:				
Electric note retirement	-	-	129,757	-
Electric improvements	-	-	324,116	-
Unrestricted:				
Reserved for improvements	18,799	-	302,105	-
Unrestricted, unreserved	<u>61,178</u>	<u>460,196</u>	<u>474,314</u>	<u>2,109,909</u>
Total net position	<u>\$ 937,077</u>	<u>1,174,473</u>	<u>3,717,319</u>	<u>2,154,068</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>
-	4,102,563	-
-	129,757	-
-	324,116	-
-	320,904	-
<u>64,344</u>	<u>3,169,941</u>	<u>27,440</u>
<u>64,344</u>	<u>8,047,281</u>	<u>27,440</u>

Reconciliation of the Statement of Net Position -
Proprietary Funds to the Statement of Net Position
June 30, 2014

Total proprietary fund balances (page 24) \$ 8,047,281

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.

18,912

Net position of business type activities (page 13) \$ 8,066,193

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, 2014

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Operating revenues:				
Charges for services	\$ 103,242	145,015	1,452,504	1,072,256
Miscellaneous	<u>12,574</u>	<u>1,868</u>	<u>169,036</u>	<u>13,051</u>
Total operating revenues	<u>115,816</u>	<u>146,883</u>	<u>1,621,540</u>	<u>1,085,307</u>
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:				
Personal services	15,907	15,907	189,655	134,511
Purchased energy	-	-	651,729	690,815
Utilities	15,167	3,201	19,124	5,501
Repairs and maintenance	95,095	12,448	145,336	4,608
Other supplies and expenses	38,033	5,199	265,900	86,892
Depreciation	68,237	81,951	186,281	9,261
Amortization	<u>-</u>	<u>413</u>	<u>608</u>	<u>-</u>
Total operating expenses	<u>232,439</u>	<u>119,119</u>	<u>1,458,633</u>	<u>931,588</u>
Operating income (loss)	<u>(116,623)</u>	<u>27,764</u>	<u>162,907</u>	<u>153,719</u>
Non-operating revenues (expenses):				
Interest and dividend income	348	2,308	5,763	6,153
Interest expense	<u>(36)</u>	<u>(3,489)</u>	<u>(36,116)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>312</u>	<u>(1,181)</u>	<u>(30,353)</u>	<u>6,153</u>
Net income (loss) before transfers	<u>(116,311)</u>	<u>26,583</u>	<u>132,554</u>	<u>159,872</u>
Transfers in (out)	<u>74,835</u>	<u>64,835</u>	<u>(32,660)</u>	<u>(25,840)</u>
Change in net position	(41,476)	91,418	99,894	134,032
Net position beginning of year	<u>978,553</u>	<u>1,083,055</u>	<u>3,617,425</u>	<u>2,020,036</u>
Net position end of year	<u>\$ 937,077</u>	<u>1,174,473</u>	<u>3,717,319</u>	<u>2,154,068</u>

See notes to financial statements.

Exhibit I

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
138,404	2,911,421	-
-	196,529	206
<u>138,404</u>	<u>3,107,950</u>	<u>206</u>
-	-	-
-	-	669
-	355,980	800
-	1,342,544	-
-	42,993	-
-	257,487	-
132,090	528,114	-
-	345,730	-
-	1,021	-
<u>132,090</u>	<u>2,873,869</u>	<u>1,469</u>
<u>6,314</u>	<u>234,081</u>	<u>(1,263)</u>
100	14,672	-
-	(39,641)	-
<u>100</u>	<u>(24,969)</u>	<u>-</u>
6,414	209,112	(1,263)
-	81,170	2,890
6,414	290,282	1,627
<u>57,930</u>	<u>7,756,999</u>	<u>25,813</u>
<u><u>64,344</u></u>	<u><u>8,047,281</u></u>	<u><u>27,440</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, 2014

Change in net position - Total proprietary funds (page 27) \$ 290,282

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.

1,576

Change in net position of business type activities (page 15) \$ 291,858

See notes to financial statements.

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2014

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 114,682	147,670	1,619,987	1,091,178
Payments to suppliers and employees	<u>(160,111)</u>	<u>(40,809)</u>	<u>(1,209,141)</u>	<u>(928,766)</u>
Net cash provided by (used in) operating activities	<u>(45,429)</u>	<u>106,861</u>	<u>410,846</u>	<u>162,412</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	-	-	(32,660)	(25,840)
Transfers from other funds	<u>74,835</u>	<u>64,835</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>74,835</u>	<u>64,835</u>	<u>(32,660)</u>	<u>(25,840)</u>
Cash flows from capital and related financing activities:				
Receipts (payments) from inter-fund loans	-	(65,000)	(35,900)	106,534
Purchases of capital assets	(62,265)	(80,180)	(744,294)	(32,488)
Principal paid on capital debt	(16,170)	(42,000)	(140,000)	-
Interest paid on capital debt	<u>(36)</u>	<u>(3,791)</u>	<u>(33,902)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(78,471)</u>	<u>(190,971)</u>	<u>(954,096)</u>	<u>74,046</u>
Cash flows from investing activities:				
Interest and dividends	<u>358</u>	<u>2,279</u>	<u>6,568</u>	<u>5,978</u>
Net cash provided by investing activities	<u>358</u>	<u>2,279</u>	<u>6,568</u>	<u>5,978</u>
Net increase (decrease) in cash and cash equivalents	(48,707)	(16,996)	(569,342)	216,596
Cash and cash equivalents beginning of year	<u>112,136</u>	<u>392,566</u>	<u>1,485,056</u>	<u>1,158,224</u>
Cash and cash equivalents end of year	<u>\$ 63,429</u>	<u>375,570</u>	<u>915,714</u>	<u>1,374,820</u>

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal <u>Service Fund</u> Self Insurance
141,582	3,115,099	206
<u>(131,675)</u>	<u>(2,470,502)</u>	<u>(1,469)</u>
9,907	644,597	(1,263)
-	(58,500)	-
<u>-</u>	<u>139,670</u>	<u>2,890</u>
-	81,170	2,890
-	5,634	-
-	(919,227)	-
-	(198,170)	-
<u>-</u>	<u>(37,729)</u>	<u>-</u>
-	(1,149,492)	-
<u>88</u>	<u>15,271</u>	<u>-</u>
88	15,271	-
9,995	(408,454)	1,627
<u>57,438</u>	<u>3,205,420</u>	<u>25,813</u>
<u>67,433</u>	<u>2,796,966</u>	<u>27,440</u>

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2014

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (116,623)	27,764	162,907	153,719
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	68,237	81,951	186,281	9,261
Amortization expense	-	413	608	-
Change in assets and liabilities:				
Receivables, net	(219)	787	(1,553)	5,871
Consumer deposits	-	-	-	-
Prepaid expenses	(151)	(80)	(1,279)	347
Inventory	(915)	-	83,920	(377)
Accounts and other payables	4,747	(3,006)	(15,263)	(2,601)
Accrued expenses	(246)	(709)	(3,045)	(2,597)
Other postemployment benefits	(259)	(259)	(1,730)	(1,211)
Net cash provided by (used in) operating activities	<u>\$ (45,429)</u>	<u>106,861</u>	<u>410,846</u>	<u>162,412</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:				
Current assets:				
Cash	\$ 63,429	375,570	591,597	1,374,819
Restricted assets:				
Cash	-	-	324,117	-
Cash and cash equivalents at year end	<u>\$ 63,429</u>	<u>375,570</u>	<u>915,714</u>	<u>1,374,819</u>

See notes to financial statements.

Exhibit K

Other Nonmajor Enterprise Funds	Total	Internal Service Fund Self Insurance
6,314	234,081	(1,263)
-	345,730	-
-	1,021	-
2,707	7,593	-
471	471	-
-	(1,163)	-
-	82,628	-
51	(16,072)	-
364	(6,233)	-
-	(3,459)	-
<u>9,907</u>	<u>644,597</u>	<u>(1,263)</u>
59,201	2,464,616	27,440
<u>8,232</u>	<u>332,349</u>	<u>-</u>
<u>67,433</u>	<u>2,796,965</u>	<u>27,440</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2014

(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 was first incorporated in 1884 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City 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, 2014

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2014

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.

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, 2014

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, 2014

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, Deferred Inflows of Resources 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, 2014

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, 2014 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2013.

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, 2014

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, 2014, 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, 2014

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 Inflows of Resources – 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 inflows of resources 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 inflows of resources 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, 2014

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, 2014. 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, 2014

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, 2014 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, 2014

(3) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

<u>Primary Government</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,537	-	-	43,537
Total capital assets not being depreciated	<u>43,537</u>	<u>-</u>	<u>-</u>	<u>43,537</u>
Capital assets being depreciated:				
Buildings	141,000	26,895	-	167,895
Improvements other than buildings	59,275	-	-	59,275
Equipment and vehicles	638,448	33,987	-	672,435
Infrastructure, street network	<u>2,016,258</u>	<u>21,432</u>	-	<u>2,037,690</u>
Total capital assets being depreciated	<u>2,854,981</u>	<u>82,314</u>	<u>-</u>	<u>2,937,295</u>
Less accumulated depreciation for:				
Buildings	139,380	574	-	139,954
Improvements other than buildings	27,549	3,849	-	31,398
Equipment and vehicles	352,730	34,302	-	387,032
Infrastructure, street network	<u>538,899</u>	<u>100,489</u>	-	<u>639,388</u>
Total accumulated depreciation	<u>1,058,558</u>	<u>139,214</u>	<u>-</u>	<u>1,197,772</u>
Total capital assets being depreciated, net	<u>1,796,423</u>	<u>(56,900)</u>	<u>-</u>	<u>1,739,523</u>
Governmental activities capital assets, net	<u>\$ 1,839,960</u>	<u>(56,900)</u>	<u>-</u>	<u>1,783,060</u>

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

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2014

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Business type activities</u>				
Capital assets not being depreciated:				
Land	\$ 5,750	-	-	5,750
Construction in progress	1,017,000	296,727	(2,811)	1,310,916
Total capital assets not being depreciated	1,022,750	296,727	(2,811)	1,316,666
Capital assets being depreciated:				
Buildings	3,417,296	205,145	-	3,622,441
Improvements other than buildings	-	-	-	-
Equipment and vehicles	576,178	140,082	-	716,260
Infrastructure, water and sewer network	6,682,753	280,083	-	6,962,836
Total capital assets being depreciated	10,676,227	625,310	-	11,301,537
Less accumulated depreciation for:				
Buildings	2,257,408	93,061	-	2,350,469
Improvements other than buildings	-	-	-	-
Equipment and vehicles	538,570	21,726	-	560,296
Infrastructure, water and sewer network	3,228,432	230,943	-	3,459,375
Total accumulated depreciation	6,024,410	345,730	-	6,370,140
Total capital assets being depreciated, net	4,651,817	279,580	-	4,931,397
Business type activities capital assets, net	\$ 5,674,567	576,307	(2,811)	6,248,063

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 \$1,636 and accumulated depreciation of \$49,186.

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

Governmental activities:	
Public safety	\$ 22,788
Public works, which includes the depreciation of general infrastructure assets	106,278
Culture and recreation	10,148
Total depreciation expense – governmental activities	\$ 139,214

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2014

Business type activities:	
Water	\$ 68,237
Sewer	81,951
Electric	186,281
Gas	<u>9,261</u>
Total depreciation expense – business type activities	<u>\$ 345,730</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 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	\$ 225,000	-	55,000	170,000	55,000
Revenue note	200,572	-	40,114	160,458	40,114
Net OPEB liability	<u>5,958</u>	<u>4,805</u>	<u>-</u>	<u>10,763</u>	<u>-</u>
Total	<u>\$ 431,530</u>	<u>4,805</u>	<u>95,114</u>	<u>341,221</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	-	40,000	360,000	40,000
Revenue bonds/notes:					
Electric	985,000	-	100,000	885,000	100,000
Sewer	231,000	-	42,000	189,000	45,000
Net OPEB liability	<u>35,750</u>	<u>-</u>	<u>3,460</u>	<u>32,290</u>	<u>-</u>
Total	<u>\$ 1,651,750</u>	<u>-</u>	<u>185,460</u>	<u>1,466,290</u>	<u>185,000</u>

General obligation bonds/notes

Two issues of unmatured general obligation bonds/notes, totaling \$530,000, is outstanding at June 30, 2014. 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, 2014

Details of general obligation bonds/notes payable at June 30, 2014 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, 2014</u>
Governmental activities: General obligation notes: Drainage improvements	Sep 13, 2006	3.95%-4.30%	June 30, 2017	45,000-60,000	\$550,000	\$ 170,000
Business type activities: General obligation notes: Electric improvements	Oct 23, 2012	.70%-1.80%	June 1, 2022	40,000-50,000	400,000	<u>360,000</u> <u>\$530,000</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>
2015	\$ 95,000	12,030	107,030
2016	100,000	9,440	109,440
2017	105,000	6,788	111,788
2018	45,000	3,645	48,645
2019	45,000	3,082	48,082
2020-2022	<u>140,000</u>	<u>5,130</u>	<u>145,130</u>
Total	<u>\$530,000</u>	<u>40,115</u>	<u>570,115</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 \$160,457, payable through June 2018. For the current year, interest and principle paid and total TIF receipts were \$40,114 and \$154,048, respectively.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2014

Revenue bonds/notes

Three issues of unmatured revenue bonds/notes, totaling \$1,234,457, are outstanding at June 30, 2014. 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 \$987,425. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$122,625 and \$349,188, 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 \$195,764. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$45,675 and \$109,715, 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, 2014

- (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, 2014, the City was in compliance with the revenue bond/note provisions.

Details of revenue notes payable at June 30, 2014 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, 2014</u>
Governmental activities:						
Urban renewal tax increment note	Nov 28, 2010	0.00%	June 1, 2017	40,114	\$ 280,800	\$ 160,457
Total governmental activities						<u>160,457</u>
Business type activities:						
Electric revenue	Dec. 5, 2011	2.00%-3.00%	June 1, 2022	100,000-120,000	\$ 1,085,000	\$ 885,000
Sewer revenue CW9516R and CW9136R	Dec. 1, 1998	1.75%	Dec. 1, 2017	35,000-50,000	\$ 699,000	<u>189,000</u>
Total business type activities						<u>1,074,000</u>
Total						<u>\$ 1,234,457</u>

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

Year Ending	Revenue			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		115,000	12,225	127,225
2020-2022		<u>350,000</u>	<u>20,000</u>	<u>370,000</u>
Total		<u>\$ 1,234,458</u>	<u>109,189</u>	<u>1,343,647</u>

City of West Bend, Iowa
Notes to Financial Statements
June 30, 2014

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 13,500
	Enterprise:	
	Electric	31,580
	Gas	<u>25,080</u>
		<u>70,160</u>
TIF	General	<u>30,000</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>35,000</u>
Water	General	25,000
	Special Revenue:	
	Local Option Sales Tax	<u>50,000</u>
		<u>75,000</u>
Sewer	Special Revenue:	
	Tax Increment Financing	<u>65,000</u>
Internal Service: Self insurance	Enterprise:	
	Water	165
	Sewer	165
	Electric	1080
	Gas	760
	Special Revenue:	
	Trust and Agency	<u>720</u>
		<u>2,890</u>
Total		<u>\$ 278,050</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, 2014

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Sewer	Special Revenue TIF	\$ 65,000
Enterprise Gas	Enterprise: Electric	<u>711,500</u>
		<u>\$ 776,500</u>

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

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of 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, 2014, 2013 and 2012 were \$30,514, \$23,479, and \$23,893 respectively, equal to the required contributions for each year.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2014

(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, 2014, the amount actually contributed to the plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 5,893
Interest on net OPEB obligation	1,486
Adjustment to annual required contribution	<u>(1,476)</u>
Annual OPEB cost	5,903
Contributions made	<u>---</u>
Increase in net OPEB obligation	5,903
Net OPEB obligation beginning of year	<u>37,150</u>
Net OPEB obligation end of year	<u>\$ 43,053</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2014

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, 2014.

For the year ended June 30, 2014, 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, 2014 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>
2011	\$ 10,422	0 %	\$ 20,826
2012	10,423	0 %	31,247
2013	10,460	0 %	41,707
2014	5,902	0 %	43,053

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$319,800 and the ratio of the UAAL to covered payroll was 10.3%. As of June 30, 2014, 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, 2014

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) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,418 during the year ended June 30, 2014.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2014

(10) 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 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.

(11) Deficit Balance

At June 30, 2014, there was a deficit fund balance as follows:

Special Revenue, TIF Fund	\$ 44,240
---------------------------	-----------

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

In September 2014, the City approved final payment of the diesel generator project of \$35,000. The City has evaluated subsequent events through January 28, 2015, the date the financial statements were available to be issued.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 288,554	-	288,554
Tax increment financing	151,782	-	151,782
Other city tax	125,504	-	125,504
Licenses and permits	2,212	-	2,212
Use of money and property	10,035	23,259	33,294
Intergovernmental	260,921	-	260,921
Charges for service	23,727	3,105,647	3,129,374
Miscellaneous	93,275	6,021	99,296
Total receipts	<u>956,010</u>	<u>3,134,927</u>	<u>4,090,937</u>
Disbursements:			
Public safety	128,914	-	128,914
Public works	177,479	-	177,479
Health and social services	3,750	-	4,000
Culture and recreation	146,191	-	146,191
Community and economic development	172,246	-	172,246
General government	45,535	-	45,535
Debt service	151,056	-	151,056
Business type activities	-	3,578,528	3,578,528
Total disbursements	<u>825,171</u>	<u>3,578,528</u>	<u>4,403,949</u>
Excess (deficiency) of receipts over (under) disbursements	130,839	(443,601)	(313,012)
Other financing sources (uses), net	<u>(26,378)</u>	<u>26,378</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	104,461	(417,223)	(312,762)
Balances beginning of year	<u>965,892</u>	<u>2,917,510</u>	<u>3,883,402</u>
Balances end of year	<u>\$ 1,070,353</u>	<u>2,500,287</u>	<u>3,570,640</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Actual
		<u>Variance</u>
280,100	280,100	8,454
175,115	175,115	(23,333)
117,342	117,342	8,162
2,025	2,025	187
11,100	11,100	22,194
184,195	263,445	(2,524)
2,686,128	2,910,628	218,746
33,370	200,370	(101,074)
<u>3,489,375</u>	<u>3,960,125</u>	<u>130,812</u>
151,705	162,755	33,841
225,500	215,500	38,021
5,000	5,000	1,000
166,320	161,845	15,654
107,205	193,455	21,209
48,570	48,570	3,035
150,210	151,210	154
<u>2,536,330</u>	<u>3,680,830</u>	<u>102,302</u>
<u>3,390,840</u>	<u>4,619,165</u>	<u>215,216</u>
98,535	(659,040)	346,028
<u>-</u>	<u>-</u>	<u>-</u>
98,535	(659,040)	346,278
<u>3,883,402</u>	<u>3,883,402</u>	<u>-</u>
<u>3,981,937</u>	<u>3,224,362</u>	<u>346,278</u>

City of West Bend, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds			Proprietary Funds		
	Cash	Accrual	Modified	Cash	Accrual	Accrual
	<u>Basis</u>	<u>Adjust- ments</u>	<u>Accrual Basis</u>	<u>Basis</u>	<u>Adjust- ments</u>	<u>Basis</u>
Revenues	\$ 956,010	33,387	989,397	3,134,927	(12,305)	3,122,622
Expenditures/expenses	<u>(825,171)</u>	<u>(11,289)</u>	<u>(836,460)</u>	<u>(3,578,528)</u>	<u>665,018</u>	<u>(2,913,510)</u>
Net	130,839	22,098	152,937	(443,601)	652,713	209,112
Other financing sources, net	(26,378)	(57,682)	(84,060)	26,378	54,792	81,170
Beginning 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>
Ending fund balances/net position	<u>\$ 1,070,353</u>	<u>(34,586)</u>	<u>1,035,767</u>	<u>2,500,287</u>	<u>5,546,994</u>	<u>8,047,281</u>

See accompanying independent auditors report.

City of West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendment increased budgeted receipts by \$470,750 and budgeted disbursements by \$1,228,325. 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

Year Ended <u>June 30,</u>	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b - a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b - a) / c)</u>
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%
2014	July 1, 2012	-	\$ 32,847	\$ 32,847	0%	\$319,779	10.3%

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

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

June 30, 2014

	Special Revenue					Debt Service
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel/ Motel Tax	TIF	
Assets						
Cash and cash equivalents	\$ 82,085	29,959	170,796	23,849	18,006	252
Receivables:						
Property tax:						
Delinquent	-	430	-	-	-	429
Succeeding year	-	28,581	-	-	-	27,008
Tax increment financing						
Delinquent	-	-	-	-	2,754	-
Succeeding year	-	-	-	-	181,453	-
Accrued interest	-	3	45	-	-	-
Due from other governments	6,057	-	9,074	1,100	-	-
	<u>\$ 88,142</u>	<u>58,973</u>	<u>179,915</u>	<u>24,949</u>	<u>202,213</u>	<u>27,689</u>
Total assets						
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts Payable	\$ 451	-	-	6,564	-	-
Due to other funds	-	-	-	-	65,000	-
Total liabilities	<u>451</u>	<u>-</u>	<u>-</u>	<u>6,564</u>	<u>65,000</u>	<u>-</u>
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	-	28,581	-	-	-	27,008
Tax increment financing	-	-	-	-	181,453	-
Total deferred inflows of resources	<u>-</u>	<u>28,581</u>	<u>-</u>	<u>-</u>	<u>181,453</u>	<u>27,008</u>
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	-	680
Infrastructure improvements	-	-	179,913	-	-	-
Street maintenance and improvements	87,690	-	-	-	-	-
Other purposes	-	30,392	-	18,385	-	-
Unassigned	-	-	-	-	(44,240)	-
Total fund balances	<u>87,690</u>	<u>30,392</u>	<u>179,913</u>	<u>18,385</u>	<u>(44,240)</u>	<u>680</u>
	<u>\$ 88,141</u>	<u>58,973</u>	<u>179,913</u>	<u>24,949</u>	<u>202,213</u>	<u>27,688</u>
Total liabilities and fund balances						

See accompanying independent auditor's report.

Schedule 1

Total

324,947

859
55,589

2,754
181,453
48
16,231

581,881

7,015
65,000
72,015

55,589
181,453
237,042

680
179,913
87,690
48,777
(44,240)
272,820

581,877

City of West Bend, Iowa

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

Year ended June 30, 2014

	Special Revenue					Debt Service
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel/ Motel Tax	TIF	
Revenues:						
Property tax	\$ -	31,690	-	-	-	30,058
Tax increment financing	-	-	-	-	154,048	-
Other city tax	-	39	80,065	7,690	-	30
Use of money and property	-	39	647	-	113	-
Intergovernmental	78,013	-	-	-	-	-
Miscellaneous reimbursements	-	-	-	-	-	45,683
Total revenues	<u>78,013</u>	<u>31,768</u>	<u>80,712</u>	<u>7,690</u>	<u>154,161</u>	<u>75,771</u>
Expenditures:						
Operating:						
Public safety:						
Police	-	14,013	-	-	-	-
Public works:						
Roadway maintenance	58,319	-	-	-	-	-
Culture and recreation:						
Library	-	14,756	-	-	-	-
Parks	-	209	-	-	-	-
Ice skating	-	626	-	-	-	-
Swimming pool	-	1,665	-	-	-	-
Other	-	-	-	7,564	-	-
	-	17,256	-	7,564	-	-
Community and economic development:						
Economic development	-	-	-	-	112,227	-
General government:						
Mayor/council	-	112	-	-	-	-
	-	112	-	-	-	-
Debt service	-	-	-	-	-	110,943
Total expenditures	<u>58,319</u>	<u>31,381</u>	<u>-</u>	<u>7,564</u>	<u>112,227</u>	<u>110,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,694</u>	<u>387</u>	<u>80,712</u>	<u>126</u>	<u>41,934</u>	<u>(35,172)</u>

Total

61,748
154,048
87,824
799
78,013
45,683
428,115

14,013

58,319

14,756
209
626
1,665
7,564
24,820

112,227

112
112

110,943

320,434

107,681

(continued)

City of West Bend, Iowa

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

Year ended June 30, 2014

	Special Revenue					Debt Service
	Road Use	Trust and Agency	Local Option Sales Tax	Local Hotel/ Motel Tax	TIF	
Other financing sources (uses):						
Operating transfers in	-	-	-	-	30,000	35,000
Operating transfers out	-	(720)	(85,000)	(13,500)	(65,000)	-
Total other financing sources (uses)	-	(720)	(85,000)	(13,500)	(35,000)	35,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	19,694	(333)	(4,288)	(13,374)	6,934	(172)
Fund balances beginning of year	67,996	30,725	184,201	31,759	(51,174)	852
Fund balances end of year	\$ 87,690	30,392	179,913	18,385	(44,240)	680

See accompanying independent auditor's report.

Total

65,000
(164,220)
(99,220)

8,461

264,359

272,820

Combining Schedule of Net Position

Nonmajor Proprietary Funds

June 30, 2014

	<u>Business-Type Activities</u>		
	Meter		<u>Total</u>
	<u>Deposit</u>	<u>Garbage</u>	
Assets			
Current assets:			
Cash	\$ 8,232	59,201	67,433
Accounts receivable	-	16,830	16,830
Interest receivable	-	18	18
	<u>-</u>	<u>18</u>	<u>18</u>
Total assets	<u>8,232</u>	<u>76,049</u>	<u>84,281</u>
Liabilities			
Current liabilities:			
Accounts payable	-	11,705	11,705
Consumer deposits	8,232	-	8,232
	<u>8,232</u>	<u>-</u>	<u>8,232</u>
Total liabilities	<u>8,232</u>	<u>11,705</u>	<u>19,937</u>
Net position			
Unrestricted	-	64,344	64,344
	<u>-</u>	<u>64,344</u>	<u>64,344</u>
Total net position	<u>\$ -</u>	<u>64,344</u>	<u>64,344</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, 2014

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Meter Deposit</u>	<u>Garbage</u>	
Operating revenues:			
Charges for service	\$ -	138,404	138,404
Total operating revenues	<u>-</u>	<u>138,404</u>	<u>138,404</u>
Operating expenses:			
Business type activities:			
Contractual services	-	128,652	128,652
Other supplies and expenses	-	3,438	3,438
Total operating expenses	<u>-</u>	<u>132,090</u>	<u>132,090</u>
Operating income (loss)	-	6,314	6,314
Non-operating revenues (expenses):			
Interest and investment revenue	-	100	100
Total non-operating revenue (expenses)	<u>-</u>	<u>100</u>	<u>100</u>
Change in net position	-	6,414	6,414
Net position beginning of year	<u>-</u>	<u>57,930</u>	<u>57,930</u>
Net position end of year	<u>\$ -</u>	<u>64,344</u>	<u>64,344</u>

See accompanying independent auditor's report.

City of West Bend, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Property tax	\$ 290,267	284,446	279,563	218,889
Tax increment financing revenue	154,048	152,213	121,826	247,497
Other city tax	124,688	121,026	124,871	101,249
Licenses and permits	2,211	1,816	2,293	1,542
Use of money and property	10,108	10,982	11,724	11,979
Intergovernmental	253,314	301,032	271,886	256,034
Charges for service	23,728	21,329	15,597	21,454
Miscellaneous	<u>131,033</u>	<u>35,751</u>	<u>33,945</u>	<u>26,261</u>
Total	<u>\$ 989,397</u>	<u>928,595</u>	<u>861,705</u>	<u>884,905</u>
Expenditures:				
Operating:				
Public safety	\$ 130,490	66,160	147,050	134,124
Public works	177,805	138,762	193,461	464,040
Health and social services	3,750	4,160	4,000	4,000
Culture and recreation	163,111	149,881	158,970	168,317
Community and economic development	203,078	228,919	212,273	56,364
General government	47,283	43,930	40,393	44,927
Debt service	<u>110,943</u>	<u>65,150</u>	<u>64,123</u>	<u>160,995</u>
Total	<u>\$ 836,460</u>	<u>696,962</u>	<u>820,270</u>	<u>1,032,767</u>

See accompanying independent auditor's report.

Schedule 5

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
227,178	222,728	200,680	210,299	209,722	201,365
240,529	229,553	154,555	158,828	146,977	134,041
101,127	105,935	99,455	104,198	56,917	62,266
2,167	2,967	2,855	3,099	3,230	3,115
13,114	15,589	21,571	18,998	13,292	7,584
307,794	174,204	195,474	124,653	210,543	152,098
17,823	16,224	13,658	12,393	11,903	9,943
<u>33,410</u>	<u>33,456</u>	<u>20,319</u>	<u>33,591</u>	<u>49,462</u>	<u>30,831</u>
<u>943,142</u>	<u>800,656</u>	<u>708,567</u>	<u>666,059</u>	<u>702,046</u>	<u>601,243</u>
82,921	189,618	73,716	96,037	68,924	76,435
162,591	508,678	177,446	641,513	109,412	238,622
-	-	-	-	-	-
179,573	164,467	126,017	135,020	123,805	145,456
247,509	205,688	157,325	163,820	169,720	102,183
34,787	35,159	34,072	37,661	45,570	37,267
<u>114,950</u>	<u>113,647</u>	<u>112,047</u>	<u>119,130</u>	<u>142,227</u>	<u>168,150</u>
<u>822,331</u>	<u>1,217,257</u>	<u>680,623</u>	<u>1,193,181</u>	<u>659,658</u>	<u>768,113</u>

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Water Utility
 Years ended June 30, 2014 and 2013

Schedule 6

	<u>6-30-14</u>	<u>6-30-13</u>
Operating revenues:		
Metered sales	\$ 103,242	99,636
Miscellaneous	<u>12,574</u>	<u>77,528</u>
Total operating revenue	<u>115,816</u>	<u>177,164</u>
 Operating expenses:		
Distribution system maintenance:		
Salaries	11,015	15,086
Payroll taxes and benefits	4,892	7,929
Utilities	15,167	17,833
Salt and supplies	20,536	16,999
Building and equipment maintenance	95,095	99,047
Insurance	3,583	3,091
Professional fees	9,094	307
Miscellaneous	<u>4,820</u>	<u>3,077</u>
	<u>164,202</u>	<u>163,369</u>
 Depreciation:		
Water tower	8,918	8,918
Treatment plant	57,122	57,122
Equipment	<u>2,197</u>	<u>495</u>
	<u>68,237</u>	<u>66,535</u>
Total operating expenses	<u>232,439</u>	<u>229,904</u>
 Operating income (loss)	<u>(116,623)</u>	<u>(52,740)</u>
 Non-operating revenues (expenses):		
Interest income	348	543
Interest expense	<u>(36)</u>	<u>(676)</u>
Total non-operating revenues (expenses)	<u>312</u>	<u>(133)</u>
 Net income (loss) before operating transfer	(116,311)	(52,873)
Interfund transfer	<u>74,835</u>	<u>(162)</u>
Net income	<u>\$ (41,476)</u>	<u>(53,035)</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Sewer Utility
Years ended June 30, 2014 and 2013

Schedule 7

	<u>6-30-14</u>	<u>6-30-13</u>
Operating revenues:		
Sewer rental charges	\$ 145,015	145,318
Miscellaneous	<u>1,868</u>	<u>355</u>
Total operating revenue	<u>146,883</u>	<u>145,673</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	11,015	15,086
Payroll taxes and benefits	4,892	7,929
Utilities	3,201	2,504
Maintenance and repair	12,448	7,103
Insurance	1,234	1,009
Supplies	727	400
Amortization	413	413
Miscellaneous	<u>3,238</u>	<u>646</u>
	<u>37,168</u>	<u>35,090</u>
Depreciation:		
Furniture and fixtures	1,534	1,071
Vehicles	-	667
Sewer plant	<u>80,417</u>	<u>79,310</u>
	<u>81,951</u>	<u>81,048</u>
Total operating expenses	<u>119,119</u>	<u>116,138</u>
Operating income	<u>27,764</u>	<u>29,535</u>
Non-operating revenues (expenses):		
Interest income	2,308	2,220
Interest expense	<u>(3,489)</u>	<u>(7,579)</u>
Total non-operating revenues (expenses)	<u>(1,181)</u>	<u>(5,359)</u>
Net income before operating transfer	26,583	24,176
Interfund transfer	<u>64,835</u>	<u>(162)</u>
Net income	<u>\$ 91,418</u>	<u>24,014</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Electric Utility
 Years ended June 30, 2014 and 2013

Schedule 8

	<u>6-30-14</u>	<u>6-30-13</u>
Operating revenues:		
Metered sales	\$ 1,452,504	1,270,940
Miscellaneous	<u>169,036</u>	<u>36,378</u>
Total operating revenue	<u>1,621,540</u>	<u>1,307,318</u>
Operating expenses:		
Production:		
Salaries	35,464	32,455
Payroll taxes and benefits	9,765	8,349
Utilities	16,818	12,664
Electric energy purchased	651,729	598,396
Maintenance - Plant, building, engines	54,837	27,934
Walter Scott power plant	<u>89,863</u>	<u>71,551</u>
	<u>858,476</u>	<u>751,349</u>
Distribution system maintenance:		
Salaries	37,259	23,431
Payroll taxes and benefits	10,812	8,154
Lines, poles, towers, conductors, meters, etc.	97,464	63,459
Telephone and radio	774	1,082
Motor vehicles	17,270	6,009
Supplies	5,561	5,822
Professional fees	<u>636</u>	<u>5,340</u>
	<u>169,776</u>	<u>113,297</u>
Collection and accounting:		
Salaries	38,677	40,537
Payroll taxes and benefits	16,439	16,338
Office supplies	5,428	3,984
Programming	<u>1,336</u>	<u>931</u>
	<u>61,880</u>	<u>61,790</u>
Administrative:		
Salaries	32,196	25,806
Payroll taxes and benefits	9,043	14,418
Professional fees	15,780	26,811

(continued)

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Electric Utility
Years ended June 30, 2014 and 2013

Schedule 8

	<u>6-30-14</u>	<u>6-30-13</u>
Operating expenses (continued):		
Administrative (continued):		
Insurance	39,167	33,996
Telephone and radio	1,532	1,564
Miscellaneous taxes	43,782	2,116
Property taxes	11,832	11,632
Amortization	608	608
Miscellaneous	<u>28,280</u>	<u>27,728</u>
	<u>182,220</u>	<u>144,679</u>
Depreciation:		
Buildings	321	321
Generating plant and equipment	103,281	98,913
Distribution system	70,881	67,692
Furniture and fixtures	8,284	7,595
Vehicles	<u>3,514</u>	<u>2,807</u>
	<u>186,281</u>	<u>177,328</u>
Total operating expenses	<u>1,458,633</u>	<u>1,248,443</u>
Operating income	162,907	58,875
Non-operating revenues (expenses):		
Interest income	5,763	8,009
Interest expense	<u>(36,116)</u>	<u>(29,699)</u>
Total non-operating revenues (expenses)	<u>(30,353)</u>	<u>(21,690)</u>
Net income before operating transfers	132,554	37,185
Interfund transfer	<u>(32,660)</u>	<u>(42,618)</u>
Net income	<u>\$ 99,894</u>	<u>(5,433)</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2014 and 2013

Schedule 9

	<u>6-30-14</u>	<u>6-30-13</u>
Operating revenues:		
Metered sales	\$ 1,072,256	907,484
Miscellaneous	<u>13,051</u>	<u>9,030</u>
Total operating revenue	<u>1,085,307</u>	<u>916,514</u>
Operating expenses:		
Production:		
Cost of gas purchased	<u>690,815</u>	<u>530,720</u>
Distribution system maintenance:		
Salaries	29,681	24,568
Payroll taxes and benefits	10,223	10,535
Utilities	5,501	4,359
Meters, mains, valves	10,335	13,618
Equipment and building repairs	4,608	6,041
Miscellaneous	<u>998</u>	<u>748</u>
	<u>61,346</u>	<u>59,869</u>
Collection and accounting:		
Salaries	41,517	37,897
Payroll taxes and benefits	16,438	16,338
Office supplies	5,327	3,849
Professional fees	<u>1,300</u>	<u>931</u>
	<u>64,582</u>	<u>59,015</u>
Administrative:		
Salaries	24,352	25,483
Payroll taxes and benefits	12,300	13,769
Insurance	7,408	6,572
Professional fees	3,111	4,108
Telephone	1,552	1,564
Meetings and travel	4,058	1,651
Dues	2,772	2,550
Miscellaneous	<u>50,031</u>	<u>5,880</u>
	<u>105,584</u>	<u>61,577</u>

(continued)

City of West Bend, Iowa
 Comparative Schedules of Revenues and Expenses
 Gas Utility
 Years ended June 30, 2014 and 2013

Schedule 9

	<u>6-30-14</u>	<u>6-30-13</u>
Operating expenses (continued):		
Depreciation:		
Distribution systems	3,064	3,064
Furniture and fixtures	2,110	1,470
Vehicles	4,087	4,179
	<u>9,261</u>	<u>8,713</u>
Total operating expenses	<u>931,588</u>	<u>719,894</u>
Operating income	153,719	196,620
Non-operating revenues (expenses):		
Interest income	<u>6,153</u>	<u>6,867</u>
Total non-operating revenues (expenses)	<u>6,153</u>	<u>6,867</u>
Net income before operating transfers	159,872	203,487
Interfund transfer	<u>(25,840)</u>	<u>(32,836)</u>
Net income	<u>\$ 134,032</u>	<u>170,651</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, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2015.

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-14 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-14 and I-B-14 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, 2014 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 28, 2015

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-14 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-14 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, 2014

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-14 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, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget – Disbursements during the year ended June 30, 2014, did not exceed the amounts budgeted.
- II-B-14 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-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-14 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 | \$2,418 |
- This transaction does not appear to represent a conflict of interest since the total transaction is less than \$2,500.
- II-E-14 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-14 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-14 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, 2014

II-H-14 Revenue Bonds/Notes – The provisions of the resolutions for the issuance of the City’s revenue bonds/notes were complied with.

II-I-14 Deficit Balances – The Special Revenue TIF fund had a deficit balance of \$44,240 at June 30, 2014.

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-14 Urban Renewal Annual Report – The urban renewal annual report was properly and certified to the Iowa Department of Management on or before December 1.