



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

March 1, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of West Branch, Iowa.

The City's receipts totaled \$3,180,956 for the year ended June 30, 2010, a 3.2 percent decrease from the prior year. The receipts included \$1,053,773 in property tax, \$656,110 from tax increment financing, \$655,410 from charges for service, \$643,305 from operating grants, contributions and restricted interest, \$17,181 from unrestricted interest on investments, \$74,000 from loan proceeds, \$40,000 from the sale of capital assets and \$41,177 from other general receipts.

Disbursements for the year totaled \$3,093,988, a 1.7 percent decrease from the prior year, and included \$761,338 for public safety, \$682,578 for community and economic development and \$425,684 for public works. Also, disbursements for business type activities totaled \$543,191.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0142-B00F.pdf>.

###

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

JUNE 30, 2010

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-29
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		32-33
Notes to Required Supplementary Information – Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	36-37
Schedule of Indebtedness	2	38-39
Bond Maturities	3	40
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	41
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		43-44
Schedule of Findings		45-47
Staff		48

City of West Branch

Officials

Prior to January 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandra Hatfield	Mayor	Jan 2010
Mark Worrell	Mayor Pro tem	Jan 2012
Robert Sexton (Appointed)	Council Member	Nov 2009
Ken Peplow	Council Member	Jan 2010
Tom Dean	Council Member	Jan 2012
David Johnson	Council Member	Jan 2012
Kyle Soukup	Administrator	Indefinite
Deb Fiderlein	Clerk	Indefinite
Dawn Brandt	Deputy Clerk	Indefinite
Bruce Goddard	Attorney	Indefinite

After January 2010

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Don Kessler	Mayor	Jan 2014
Jim Oaks	Mayor Pro tem	Jan 2014
David Johnson	Council Member	Jan 2012
Robert Sexton	Council Member	Jan 2012
Mark Worrel	Council Member	Jan 2012
Dan O'Neil	Council Member	Jan 2014
Kyle Soukup	Administrator	(Left Employment Apr 2010)
Matt Muckler	Administrator/City Clerk	Indefinite
Deb Fiderlein	Clerk	(Resigned Apr 2010)
Dawn Brandt	Deputy Clerk	Indefinite
Bruce Goddard	Attorney	Indefinite

City of West Branch



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA

Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Branch's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

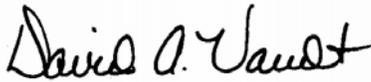
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2011 on our consideration of the City of West Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Branch's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Branch provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 3.9%, or \$106,511, from fiscal year 2009 to fiscal year 2010. Capital grants, contributions and restricted interest decreased due to the City receiving funds in fiscal year 2009 for the RISE road project.
- Disbursements of the City's governmental activities decreased 4.0%, or \$106,600, in fiscal year 2010 from fiscal year 2009.
- The City's total cash basis net assets increased 4.6%, or \$86,968, from June 30, 2009 to June 30, 2010. Of this amount, the assets of governmental activities increased \$85,497 and the assets of the business type activities increased \$1,491.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

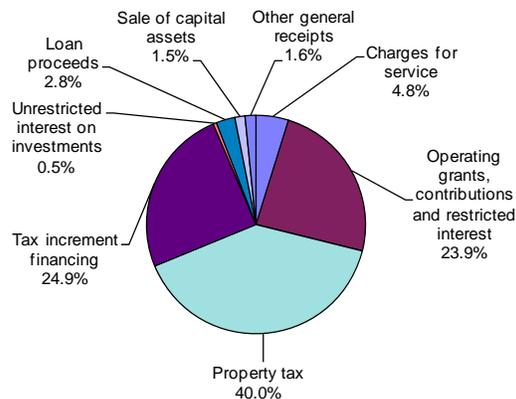
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

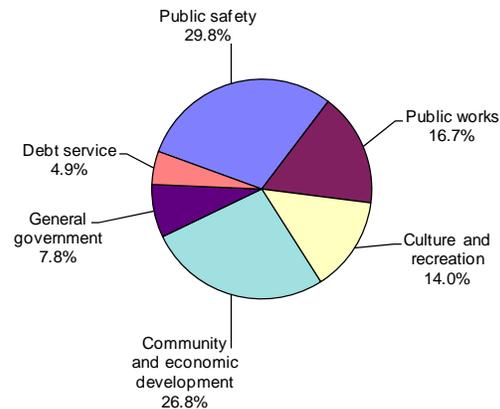
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$85,497 from a year ago, from \$1,374,527 to \$1,460,024. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 121,067	134,381
Operating grants, contributions and restricted interest	637,167	414,242
Capital grants, contributions and restricted interest	-	289,238
General receipts:		
Property tax	1,053,773	951,189
Tax increment financing	656,110	671,841
Unrestricted interest on investments	13,000	17,711
Loan proceeds	74,000	198,432
Sale of capital assets	40,000	-
Other general receipts	41,177	65,771
Total receipts	2,636,294	2,742,805
Disbursements:		
Public safety	761,338	568,777
Public works	425,684	598,898
Culture and recreation	357,108	343,912
Community and economic development	682,578	666,570
General government	198,461	354,240
Debt service	125,628	125,000
Total disbursements	2,550,797	2,657,397
Change in cash basis net assets	85,497	85,408
Cash basis net assets beginning of year	1,374,527	1,289,119
Cash basis net assets end of year	\$1,460,024	1,374,527

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 4%, or \$106,511. The total cost of all programs and services decreased \$106,600, or 4%.

The cost of all governmental activities this year was \$2,550,797, compared to \$2,657,397 last year. However, as shown in the Statement of Activities and Net Assets on pages 14 and 15, the amount taxpayers ultimately financed for these activities was only \$1,792,563 because some of the cost was paid by those who directly benefited from the programs (\$121,067) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$637,167). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2010. The City paid for the remaining "public benefit" portion of governmental activities with \$1,709,883 in levied taxes, \$74,000 of loan proceeds and \$94,177 of other receipts, such as interest, proceeds from the sale of capital assets and miscellaneous receipts.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 335,728	348,026
Sewer	204,753	191,797
General receipts:		
Unrestricted interest on investments	4,181	5,016
Total receipts	<u>544,662</u>	<u>544,839</u>
Disbursements:		
Water	339,284	294,796
Sewer	203,907	195,114
Total disbursements	<u>543,191</u>	<u>489,910</u>
Change in cash basis net assets	1,471	54,929
Cash basis net assets beginning of year	<u>516,896</u>	<u>461,967</u>
Cash basis net assets end of year	<u>\$ 518,367</u>	<u>516,896</u>

Total business type activities receipts for the fiscal year were \$544,662 compared to \$544,839 last year. The cash balance increased \$1,471 over the prior year. Total disbursements for the fiscal year increased 11% to \$543,191.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Branch completed the year, its governmental funds reported a combined cash balance of \$1,460,024, an increase of \$85,497 over last year’s total of \$1,374,527. The following are reasons for changes in cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$3,596, or less than 1 % over the prior year, to \$593,868. Receipts and disbursements increased approximately \$140,000 due to a grant received and disbursed for police salaries and equipment.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$12,174 to \$222,450. The decrease was due to disbursements in fiscal year 2010 related to RISE road projects completed in fiscal year 2009.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$17,854 to \$20,082. Receipts of \$545,137 were rebated to Proctor and Gamble and Acciona Windpower North America during fiscal year 2010.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$1,106 to \$301,554. Water Fund disbursements increased approximately \$49,000 due, in part, to water main replacement and improvement projects.
- The Sewer Fund cash balance increased 1.2%, or \$2,577, to \$216,813.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget three times. The first amendment was approved on September 8, 2009 to provide for the purchase of a fire truck and plans for an addition to the fire station. The second amendment was approved on December 21, 2009 to provide for increases for police department salary and equipment. The third amendment was approved on May 17, 2010 to provide for increases in various disbursements.

The City’s receipts were \$21,625 less than budgeted. This was primarily due to the City budgeting for more TIF than was received.

Total disbursements were \$243,452 less than the amended budget. This was primarily due to less disbursements for culture and recreation and community and economic development than anticipated.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$2,856,768 in bonds and other long-term debt outstanding, compared to \$3,106,323 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2010	2009
General obligation bonds	\$ 1,451,000	1,527,000
Loan agreements	610,768	746,323
Revenue bonds	795,000	833,000
Total	\$ 2,856,768	3,106,323

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$2,061,768 is below its constitutional debt limit of approximately \$5.4 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are \$3,135,291, a decrease of approximately 4% from the final fiscal year 2010 budget. Budgeted disbursements are expected to decrease \$107,476, or approximately 37%.

If these estimates are realized, the City's budgeted cash balance is expected to increase slightly by the close of fiscal year 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Matt Muckler, City Clerk, 110 N. Poplar St., P.O. Box 218, City of West Branch, Iowa 52358-0218.

Basic Financial Statements

City of West Branch

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 761,338	34,170	388,905
Public works	425,684	47,326	193,406
Culture and recreation	357,108	34,528	54,856
Community and economic development	682,578	-	-
General government	198,461	5,043	-
Debt service	125,628	-	-
Total governmental activities	<u>2,550,797</u>	<u>121,067</u>	<u>637,167</u>
Business type activities:			
Water	339,284	335,728	-
Sewer	203,907	198,615	6,138
Total business type activities	<u>543,191</u>	<u>534,343</u>	<u>6,138</u>
Total	<u>\$ 3,093,988</u>	<u>655,410</u>	<u>643,305</u>
General Receipts:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Unrestricted interest on investments			
Loan proceeds			
Sale of capital assets			
Miscellaneous			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Nonexpendable:			
Permanent funds			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(338,263)	-	(338,263)
(184,952)	-	(184,952)
(267,724)	-	(267,724)
(682,578)	-	(682,578)
(193,418)	-	(193,418)
(125,628)	-	(125,628)
(1,792,563)	-	(1,792,563)
-	(3,556)	(3,556)
-	846	846
-	(2,710)	(2,710)
(1,792,563)	(2,710)	(1,795,273)
925,564	-	925,564
128,209	-	128,209
656,110	-	656,110
13,000	4,181	17,181
74,000	-	74,000
40,000	-	40,000
41,177	-	41,177
1,878,060	4,181	1,882,241
85,497	1,471	86,968
1,374,527	516,896	1,891,423
\$ 1,460,024	518,367	1,978,391
\$ 197,429	-	197,429
222,450	-	222,450
20,082	-	20,082
33,821	-	33,821
392,374	-	392,374
593,868	518,367	1,112,235
\$ 1,460,024	518,367	1,978,391

City of West Branch

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 716,137	-	-
Tax increment financing	-	-	656,110
Other city tax	27,102	-	-
Licenses and permits	28,952	-	-
Use of money and property	15,172	-	-
Intergovernmental	321,754	193,406	-
Charges for service	77,756	-	-
Miscellaneous	44,874	-	-
Total receipts	<u>1,231,747</u>	<u>193,406</u>	<u>656,110</u>
Disbursements:			
Operating:			
Public safety	655,707	-	-
Public works	169,335	205,580	-
Culture and recreation	303,398	-	-
Community and economic development	8,614	-	673,964
General government	176,673	-	-
Debt service	-	-	-
Total disbursements	<u>1,313,727</u>	<u>205,580</u>	<u>673,964</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(81,980)</u>	<u>(12,174)</u>	<u>(17,854)</u>
Other financing sources (uses):			
Sale of capital assets	40,000	-	-
Loan proceeds	74,000	-	-
Operating transfers in	1,063	-	-
Operating transfers out	(29,487)	-	-
Total other financing sources (uses)	<u>85,576</u>	<u>-</u>	<u>-</u>
Net change in cash balances	3,596	(12,174)	(17,854)
Cash balances beginning of year	590,272	234,624	37,936
Cash balances end of year	<u>\$ 593,868</u>	<u>222,450</u>	<u>20,082</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	593,868	-	-
Special revenue funds	-	222,450	20,082
Capital projects fund	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	<u>\$ 593,868</u>	<u>222,450</u>	<u>20,082</u>

See notes to financial statements.

Nonmajor	Total
337,564	1,053,701
-	656,110
-	27,102
-	28,952
2,966	18,138
28,554	543,714
-	77,756
71,947	116,821
441,031	2,522,294
105,631	761,338
50,769	425,684
53,710	357,108
-	682,578
21,788	198,461
125,628	125,628
357,526	2,550,797
83,505	(28,503)
-	40,000
-	74,000
29,487	30,550
(1,063)	(30,550)
28,424	114,000
111,929	85,497
511,695	1,374,527
623,624	1,460,024
33,821	33,821
-	593,868
392,100	634,632
274	274
197,429	197,429
623,624	1,460,024

City of West Branch

City of West Branch

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise		
	Water	Sewer	Total
Charges for service	\$ 334,170	198,615	532,785
Miscellaneous	1,558	6,138	7,696
Total operating receipts	335,728	204,753	540,481
Operating disbursements:			
Business type activities	212,724	157,020	369,744
Excess of operating receipts over operating disbursements	123,004	47,733	170,737
Non-operating receipts (disbursements):			
Interest on investments	2,450	1,731	4,181
Debt service	(65,073)	(46,887)	(111,960)
Capital projects	(61,487)	-	(61,487)
Total non-operating receipts (disbursements)	(124,110)	(45,156)	(169,266)
Net change in cash balances	(1,106)	2,577	1,471
Cash balances beginning of year	302,660	214,236	516,896
Cash balances end of year	\$ 301,554	216,813	518,367
Cash Basis Fund Balances			
Unreserved	\$ 301,554	216,813	518,367

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of West Branch is a political subdivision of the State of Iowa located in Cedar and Johnson Counties. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of West Branch 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.

These financial statements present the City of West Branch (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The following component units are entities which are legally separate from the City, but are so intertwined with the City they, in substance, are the same as the City. They are reported as part of the City and blended into the appropriate fund.

The Friends of the West Branch Public Library has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the general operation of the West Branch Public Library. In accordance with criteria set by the Governmental Accounting Standards Board, the Friends of the West Branch Public Library meets the definition of a component unit which should be blended. The financial activity for the account held by the component unit has been blended as a Special Revenue Fund of the City.

The West Branch Firefighters has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Fire Department. In accordance with criteria set by the Governmental Accounting Standards Board, the West Branch Firefighters meets the definition of a component unit which should be blended. The financial activity for the account held by the component unit has been blended as a Special Revenue Fund of the City.

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: Cedar County Assessor's Conference Board, Cedar County Joint E911 Service Board and Cedar County Emergency Management Agency.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Urban Renewal Tax Increment Fund is used to account for tax increment financing proceeds and the repayment of debt incurred for urban renewal projects.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 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.

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation bonds and water revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 78,000	43,530	39,000	23,850	117,000	67,380
2012	80,000	41,190	41,000	22,680	121,000	63,870
2013	83,000	38,590	42,000	21,450	125,000	60,040
2014	85,000	36,300	43,000	20,190	128,000	56,490
2015	88,000	33,750	45,000	18,900	133,000	52,650
2016-2020	480,000	127,657	242,000	73,620	722,000	201,277
2021-2025	557,000	51,120	282,000	35,040	839,000	86,160
2026	-	-	61,000	1,830	61,000	1,830
Total	\$ 1,451,000	372,137	795,000	217,560	2,246,000	589,697

On June 2, 2005, the City entered into agreements with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$1,740,000 of general obligation water improvement bonds and \$860,000 of water revenue bonds, both with an interest rate of 3.0% per annum. The bonds were issued pursuant to the provisions of Chapters 384 and 384.24A of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system.

On April 5, 2007, the City entered into an agreement with the Iowa Finance Authority and Wells Fargo Bank, N.A. for the issuance of \$83,000 of water revenue bonds, with an interest rate of 3.0% per annum. The bonds were issued pursuant to the provisions of Chapters 384 and 384.24A of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$943,000 of water revenue bonds issued in June 2005 and April 2007. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 53% of net receipts. The total principal and

interest remaining to be paid on the two bond issues is \$1,012,560. For the current year, total principal and interest paid on the water revenue bonds was \$65,073 and total customer net receipts were \$123,004.

The resolutions providing for the issuance of the water revenue bonds issued under loan agreements between the City, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Water Fund and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Water Fund for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the Water Fund after making the required transfers shall be placed in a water revenue surplus account. As long as the sinking account has the full amount required to be deposited, the balance in the surplus account may be made available to the City as the Council may direct.

(4) Loan Agreements

On May 13, 2002, the City entered into a loan agreement with a local bank, not to exceed \$340,000. The loan agreement was amended on July 1, 2003 to the amount of \$270,994, the amount actually borrowed. These funds were used to finance a sanitary sewer line replacement project. The loan bears 4.65% per annum interest. The final payment of \$44,674 plus interest of \$2,090 was paid July 1, 2009.

On February 14, 2007, the City entered into a loan agreement with a local bank, not to exceed \$174,400. These funds were used to finance the construction of a Public Works Department maintenance building. The loan bears 5.35% per annum interest and matures on July 10, 2013. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	5.35%	\$ 25,597	5,353	30,950
2012	5.35	26,966	3,984	30,950
2013	5.35	28,409	2,541	30,950
2014	5.35	19,084	1,021	20,105
Total		\$ 100,056	12,899	112,955

On June 15, 2007, the City entered into a loan agreement with a local bank, not to exceed \$250,000. These funds were used to finance a RISE road project. The loan bears 4.30% per annum interest and matures on November 15, 2010. The final payment of \$92,248, representing \$88,445 of principal and \$3,803 of interest, is due during fiscal year 2011.

On September 18, 2007, the City entered into a loan agreement with a local bank, not to exceed \$100,000. These funds were used to pay costs associated with the 2007 RISE road project. The loan bears 4.30% per annum interest and matures on November 15, 2010. The final payment of \$36,526, representing \$35,000 of principal and \$1,526 of interest, is due during fiscal year 2011.

On February 1, 2008, the City entered into a loan agreement with a local bank, not to exceed \$150,000. These funds were used to finance the renovation and furnishing of the new city offices. The loan bears 4.20% per annum interest and matures on July 1, 2018. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	4.20%	\$ 13,419	5,261	18,680
2012	4.20	13,982	4,698	18,680
2013	4.20	14,570	4,110	18,680
2014	4.20	15,181	3,499	18,680
2015	4.20	15,819	2,861	18,680
2016 - 2019	4.20	52,301	4,515	56,816
Total		\$ 125,272	24,944	150,216

On August 5, 2008, the City entered into a loan agreement with a local bank, not to exceed \$197,500. These funds were used to provide funds for a lawsuit settlement. The loan bears 4.50% per annum interest and matures on November 1, 2023. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	4.50%	\$ 9,933	8,460	18,393
2012	4.50	10,380	8,013	18,393
2013	4.50	10,827	7,566	18,393
2014	4.50	11,334	7,059	18,393
2015	4.50	11,845	6,548	18,393
2016 - 2020	4.50	67,698	24,267	91,965
2020 - 2024	4.50	65,978	7,594	73,572
Total		\$ 187,995	69,507	257,502

On April 20, 2010, the City entered into a loan agreement with a local bank for \$74,000 to purchase a fire truck. The loan bears 1.87% per annum interest and matures on April 15, 2011.

(5) Lease-Purchase Agreements

The City has entered into agreements to lease two fuel storage tanks and a copier under capital leases. The following is a schedule of the future minimum lease payments, including interest at 11.7% per annum for the copier, and the present value of net minimum lease payments under the agreements in effect at June 30, 2010:

Year ending June 30,	Copier	Fuel Tanks	Amount
2011	\$ 708	1,069	1,777
2012	708	1,069	1,777
2013	708	1,069	1,777
2014	531	1,069	1,600
Total minimum lease payments	2,655	4,276	6,931
Less amount representing interest	492	-	492
Present value of net minimum lease payments	\$ 2,163	4,276	6,439

During the year ended June 30, 2010, the City made principal payments of \$1,509 and interest payments of \$267 on the above capital leases.

(6) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. 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 contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$43,305, \$35,077 and \$31,825, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 10 active and no retired members in the plan. Retired 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 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$355 for single coverage and \$888 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2010, the City contributed \$56,200 and plan members eligible for benefits contributed \$7,055 to the plan.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

Employees eligible for retirement will receive one-half of their accumulated sick leave balance. No employees were eligible for sick leave benefits at June 30, 2010.

The City’s approximate liability for earned vacation and comp time hours payable to employees at June 30, 2010, primarily relating to the General Fund, was \$52,000. This liability has been computed based on rates of pay in effect at June 30, 2010.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Home Town Days	\$ 800
	Local Option Sales Tax	263
		<u>1,063</u>
Permanent:		
Krouth/Enlow Principal	General	<u>29,487</u>
Total		<u><u>\$ 30,550</u></u>

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

(10) Risk Management

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

(11) Tax Increment Development Agreements

On February 3, 2003, the City entered into a tax increment development agreement with Procter and Gamble Hair Care, L.L.C. (P & G). Under the terms of the agreement, P & G will undertake phase I of an urban renewal project consisting of certain improvements to be completed in the West Branch Urban Renewal Area. The City agreed to rebate to P & G incremental property tax actually paid for the first five years and a percentage of incremental property tax paid for years six through ten with respect to these improvements and received under Iowa Code Section 403.19 for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements are first paid.

On April 17, 2007, the City entered into a second tax increment development agreement with P & G. Under the terms of the agreement, as amended on August 2, 2007, P & G will undertake phase II and III of an urban renewal project consisting of certain improvements to be completed in the West Branch Urban Renewal Area. The City agreed to rebate to P & G incremental property tax actually paid for the first two years and a percentage of incremental property tax paid for years three through ten with respect to these improvements and received under Iowa Code Section 403.19 for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements are first paid.

In addition, the City agreed to allow a schedule of exemption from property tax under Chapter 15.332 of the Code of Iowa from the time the improvements are first assessed, respectively, on the two agreements, as follows:

**Proctor & Gamble Hair Care L.L.C., Phase I
2003**

Year 1 through 5	No exemption
Year 6	75% exemption
Year 7	60% exemption
Year 8	45% exemption
Year 9	30% exemption
Year 10	15% exemption

**Proctor & Gamble Hair Care L.L.C., Phase II
2007**

Year 1	No exemption
Year 2	No exemption
Year 3	95% exemption
Year 4	85% exemption
Year 5	75% exemption
Year 6	65% exemption
Year 7	55% exemption
Year 8	45% exemption
Year 9	35% exemption
Year 10	25% exemption

**Proctor & Gamble Hair Care L.L.C., Phase III
2007**

Year 1	No exemption
Year 2	No exemption
Year 3	95% exemption
Year 4	85% exemption
Year 5	75% exemption
Year 6	65% exemption
Year 7	55% exemption
Year 8	45% exemption
Year 9	35% exemption
Year 10	25% exemption

On June 17, 2007 the City entered into a tax increment development agreement with Acciona Windpower North America, LLC. (Acciona). Under the terms of the agreement Acciona will cause minimum improvements to be completed within a five-year period beginning May 2007. The agreement outlines the minimum improvements which include a capital investment of \$11 million and the creation of approximately 110 new, full-time jobs. The City agreed to rebate to Acciona, for a period of eight years, a percentage of incremental property tax actually paid with respect to the minimum improvements received under Iowa Code Section 403.19. The rebate percentages for Acciona, as set forth in the agreement, are as follows:

**Acciona Windpower North America
2007**

Year 1	60%
Year 2	65%
Year 3	70%
Year 4	75%
Year 5	80%
Year 6	85%
Year 7	90%
Year 8	92%

During the year ended June 30, 2010, rebates of \$432,470 and \$112,667 were made to P&G and Acciona, respectively. The total rebates to P&G made through the first five years of the agreements total \$2,940,255. Rebates to Acciona total \$112,667.

City of West Branch

Required Supplementary Information

City of West Branch
 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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,053,701	-	-
Tax increment financing	656,110	-	-
Other city tax	27,102	-	-
Licenses and permits	28,952	-	-
Use of money and property	18,138	4,181	759
Intergovernmental	543,714	-	28,554
Charges for service	77,756	532,785	-
Miscellaneous	116,821	7,696	55,424
Total receipts	2,522,294	544,662	84,737
Disbursements:			
Public safety	761,338	-	44,723
Public works	425,684	-	-
Culture and recreation	357,108	-	3,038
Community and economic development	682,578	-	-
General government	198,461	-	-
Debt service	125,628	-	-
Business type activities	-	543,191	-
Total disbursements	2,550,797	543,191	47,761
Excess (deficiency) of receipts over (under) disbursements	-	1,471	36,976
Other financing sources, net	114,000	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	85,497	1,471	36,976
Balances beginning of year	1,374,527	516,896	71,671
Balances end of year	\$ 1,460,024	518,367	108,647

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,053,701	1,019,843	1,019,843	33,858
656,110	705,000	705,000	(48,890)
27,102	41,430	41,430	(14,328)
28,952	27,875	27,875	1,077
21,560	20,000	20,000	1,560
515,160	334,428	491,099	24,061
610,541	626,200	628,200	(17,659)
69,093	42,600	70,397	(1,304)
<u>2,982,219</u>	<u>2,817,376</u>	<u>3,003,844</u>	<u>(21,625)</u>
716,615	355,250	720,433	3,818
425,684	423,550	439,566	13,882
354,070	410,699	420,799	66,729
682,578	732,750	732,750	50,172
198,461	202,775	217,275	18,814
125,628	126,000	126,000	372
543,191	617,856	632,856	89,665
<u>3,046,227</u>	<u>2,868,880</u>	<u>3,289,679</u>	<u>243,452</u>
(64,008)	(51,504)	(285,835)	221,827
<u>114,000</u>	<u>-</u>	<u>-</u>	<u>114,000</u>
49,992	(51,504)	(285,835)	335,827
<u>1,819,752</u>	<u>1,539,381</u>	<u>1,539,381</u>	<u>280,371</u>
<u><u>1,869,744</u></u>	<u><u>1,487,877</u></u>	<u><u>1,253,546</u></u>	<u><u>616,198</u></u>

City of West Branch

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$420,799. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of West Branch

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue					
	Employee	Tort	Economic	Friends	West	Home
	Benefits	Liability	Development	of the	Branch	Town
				Library	Firefighters	Days
Receipts:						
Property tax	\$ 118,824	67,258	-	-	-	-
Use of money and property	-	-	-	733	26	149
Intergovernmental	-	-	-	-	28,554	-
Miscellaneous	-	72	-	15,561	39,863	13,133
Total receipts	118,824	67,330	-	16,294	68,443	13,282
Disbursements:						
Operating:						
Public safety	36,168	24,740	-	-	44,723	-
Public works	29,517	21,252	-	-	-	-
Culture and recreation	34,879	5,132	-	3,038	-	10,661
General government	17,030	4,758	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	117,594	55,882	-	3,038	44,723	10,661
Excess of receipts over disbursements	1,230	11,448	-	13,256	23,720	2,621
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	(800)
Total other financing sources (uses)	-	-	-	-	-	(800)
Net change in cash balances	1,230	11,448	-	13,256	23,720	1,821
Cash balances beginning of year	28,354	16,362	138,935	52,937	18,734	13,671
Cash balances end of year	\$ 29,584	27,810	138,935	66,193	42,454	15,492
Cash Basis Fund Balances						
Reserved for debt service	\$ -	-	-	-	-	-
Unreserved:						
Special revenue funds	29,584	27,810	138,935	66,193	42,454	15,492
Capital projects fund	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-
Total cash basis fund balances	\$ 29,584	27,810	138,935	66,193	42,454	15,492

See accompanying independent auditor's report.

Emergency	Local Option Sales Tax	Krouth/ Enlow	Debt Service	Capital Projects	Permanent		Total
					Krouth/ Enlow Principal	Cemetery Perpetual Care	
23,273	-	-	128,209	-	-	-	337,564
-	-	649	-	-	1,407	2	2,966
-	-	-	-	-	-	-	28,554
-	-	-	-	-	-	3,318	71,947
23,273	-	649	128,209	-	1,407	3,320	441,031
-	-	-	-	-	-	-	105,631
-	-	-	-	-	-	-	50,769
-	-	-	-	-	-	-	53,710
-	-	-	-	-	-	-	21,788
-	-	-	125,628	-	-	-	125,628
-	-	-	125,628	-	-	-	357,526
23,273	-	649	2,581	-	1,407	3,320	83,505
-	-	-	-	-	29,487	-	29,487
-	(263)	-	-	-	-	-	(1,063)
-	(263)	-	-	-	29,487	-	28,424
23,273	(263)	649	2,581	-	30,894	3,320	111,929
15,091	263	32,619	31,240	274	69,884	93,331	511,695
38,364	-	33,268	33,821	274	100,778	96,651	623,624
-	-	-	33,821	-	-	-	33,821
38,364	-	33,268	-	-	-	-	392,100
-	-	-	-	274	-	-	274
-	-	-	-	-	100,778	96,651	197,429
38,364	-	33,268	33,821	274	100,778	96,651	623,624

City of West Branch
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water improvement	Jun 2, 2005	3.00%	\$ 1,740,000
Loan agreements:			
Sanitary sewer line replacement	May 13, 2002	4.65%	\$ 270,994
Maintenance building	Feb 14, 2007	5.35	174,400
RISE road project	Jun 15, 2007	4.30	250,000
2007 RISE road project	Sep 18, 2007	4.30	100,000
City office	Feb 1, 2008	4.20	150,000
Lawsuit settlement	Aug 5, 2008	4.50	197,500
Fire truck	Apr 20, 2010	1.87	74,000
Total			
Revenue bonds:			
Water	Jun 2, 2005	3.00%	\$ 860,000
Water	Apr 5, 2007	3.00	83,000
Total			
Lease-purchase agreements:			
Copier	Mar 6, 2009	11.70%	\$ 2,706
Fuel tanks	Aug 21, 2009	0.00	5,343
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,527,000	-	76,000	1,451,000	49,628
44,674	-	44,674	-	2,090
124,264	-	24,208	100,056	6,742
173,196	-	84,751	88,445	7,551
68,538	-	33,538	35,000	2,988
138,151	-	12,879	125,272	5,800
197,500	-	9,505	187,995	8,889
-	74,000	-	74,000	-
\$ 746,323	74,000	209,555	610,768	34,060
761,000	-	35,000	726,000	24,733
72,000	-	3,000	69,000	2,340
\$ 833,000	-	38,000	795,000	27,073
2,604	-	440	2,164	267
-	5,343	1,067	4,276	-
\$ 2,604	5,343	1,507	6,440	267

Schedule 3

City of West Branch

Bond Maturities

June 30, 2010

Year Ending June 30,	General Obligation Bonds		Revenue Bonds						
	Water Improvement		Water			Water			Total
	Issued Jun 2, 2005		Issued Jun 2, 2005			Issued Apr 5, 2007			
	Interest		Interest		Interest				
Rates	Amount	Rates	Amount	Rates	Amount				
2011	3.00%	\$ 78,000	3.00%	\$ 36,000	3.00%	\$ 3,000	39,000		
2012	3.00	80,000	3.00	37,000	3.00	4,000	41,000		
2013	3.00	83,000	3.00	38,000	3.00	4,000	42,000		
2014	3.00	85,000	3.00	39,000	3.00	4,000	43,000		
2015	3.00	88,000	3.00	41,000	3.00	4,000	45,000		
2016	3.00	90,000	3.00	42,000	3.00	4,000	46,000		
2017	3.00	93,000	3.00	43,000	3.00	4,000	47,000		
2018	3.00	96,000	3.00	44,000	3.00	4,000	48,000		
2019	3.00	99,000	3.00	46,000	3.00	4,000	50,000		
2020	3.00	102,000	3.00	47,000	3.00	4,000	51,000		
2021	3.00	105,000	3.00	48,000	3.00	5,000	53,000		
2022	3.00	108,000	3.00	50,000	3.00	5,000	55,000		
2023	3.00	111,000	3.00	51,000	3.00	5,000	56,000		
2024	3.00	115,000	3.00	53,000	3.00	5,000	58,000		
2025	3.00	118,000	3.00	55,000	3.00	5,000	60,000		
2026		-	3.00	56,000	3.00	5,000	61,000		
Total		<u>\$ 1,451,000</u>		<u>\$ 726,000</u>		<u>\$ 69,000</u>	<u>795,000</u>		

See accompanying independent auditor's report.

City of West Branch
 Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds
 For the Last Eight Years

	2010	2009	2008	2007	2006	2005	2004	2003
Receipts:								
Property tax	\$ 1,053,701	951,189	826,020	829,292	638,204	597,246	574,476	525,954
Tax increment financing	656,110	671,841	529,777	530,449	600,430	534,506	181,065	186,835
Other city tax	27,102	30,656	57,272	24,446	94,710	132,729	164,757	155,630
Licenses and permits	28,952	38,155	37,783	152,068	22,731	19,569	34,348	56,078
Use of money and property	18,138	22,468	56,450	57,214	36,688	13,843	13,089	42,428
Intergovernmental	543,714	601,917	3,468,113	315,187	297,628	294,124	307,252	770,726
Charges for service	81,074	62,696	54,345	51,555	48,531	56,434	45,332	47,244
Miscellaneous	113,503	142,451	441,900	180,807	241,825	301,381	96,091	60,327
Total	\$ 2,522,294	2,521,373	5,471,660	2,141,018	1,980,747	1,949,832	1,416,410	1,845,222
Disbursements:								
Operating:								
Public safety	\$ 761,338	568,777	450,250	450,128	761,810	340,295	438,184	316,924
Public works	425,684	598,898	1,189,970	947,954	311,379	348,924	342,145	402,599
Culture and recreation	357,108	343,912	266,101	268,101	216,177	199,374	224,135	198,601
Community and economic development	682,578	666,570	2,509,495	9,790	10,215	12,271	10,800	461,375
General government	198,461	354,240	183,185	193,989	157,507	162,454	165,493	276,432
Debt service	125,628	125,000	654,723	655,999	699,851	851,535	291,393	174,975
Capital projects	-	-	146,273	133,368	-	-	-	183,801
Total	\$ 2,550,797	2,657,397	5,399,997	2,659,329	2,156,939	1,914,853	1,472,150	2,014,707

See accompanying independent auditor's report.

City of West Branch



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 10, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters

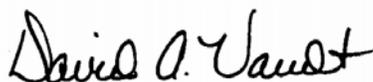
As part of obtaining reasonable assurance about whether the City of West Branch's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and 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 immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Branch 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 10, 2011

City of West Branch
Schedule of Findings
Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were reported

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of West Branch
 Schedule of Findings
 Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Dewey's Jack & Jill	Undocumented	\$ 47
Agave Restaurant	City Administrator candidate lunches	283

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. In addition, the City should document attendees at the lunches to support the public purpose of the lunches. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – The West Branch Police Chief authorized the purchase from Jack & Jill by a reserve police officer, however, a detailed receipt was not provided. In the future, employees will be required to provide a detailed receipt for each purchase and the City will make a determination of public purpose.

The disbursement was for the lunch provided to candidates, staff and elected officials involved in the recruitment of a new City Administrator. The lunch served as an integral part of the interview process and therefore it fits the definition of public purpose. A list of persons at events such as a lunch or conference will be recorded for each disbursement.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of West Branch

Schedule of Findings

Year ended June 30, 2010

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mark Worrel, Council Member, Owner of Big Timber Excavations	Excavations	\$ 1,700

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since the total transaction was less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) City Council Quorum – Chapter 21.2 of the Code of Iowa defines meeting as “a gathering in person or by electronic means, formal or informal, of a majority of the members of a governmental body where there is deliberation or action upon any matter within the scope of the governmental body's policy-making duties. Meetings shall not include a gathering of members of a governmental body for purely ministerial or social purposes when there is no discussion of policy or no intent to avoid the purposes of this chapter.

As part of the interview process of candidates for the position of City Administrator/City Clerk, a majority of the City Council met candidates over dinner.

Recommendation – The City should ensure it is in compliance with the Code of Iowa.

Response – The City posted the two City Council work session agendas for interviews which took place on May 15, 2010 and May 22, 2010. However, the City failed to publicly post the lunches which took place prior to the interviews.

Conclusion – Response acknowledged. The City should ensure it complies with Chapter 21.2 of the Code of Iowa.

City of West Branch

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Carrie L. Livingston, CPA, Staff Auditor
Jacqueline E. Guilick, Staff Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen".

Andrew E. Nielsen, CPA
Deputy Auditor of State