



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ January 19, 2012 _____

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$5,205,698 for the year ended June 30, 2011, a 94% increase over the prior year. The receipts included \$764,339 in property tax, \$212,149 from tax increment financing, \$812,171 from charges for service, \$358,099 from operating grants, contributions and restricted interest, \$146,034 from capital grants, contributions and restricted interest, \$189,920 from local option sales tax, \$10,087 from unrestricted interest on investments, \$2,654,686 from bond proceeds and \$58,213 from other general receipts.

Disbursements for the year totaled \$4,430,179, a 68% increase over the prior year, and included \$2,071,268 for capital projects, \$457,949 for public works and \$358,602 for culture and recreation. Also, disbursements for business type activities totaled \$728,881.

The significant increase in receipts and disbursements is primarily due to the receipt of bond proceeds which were used for capital related projects.

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/1120-0322-B00F.pdf>.

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CITY OF WEST UNION
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

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City of West Union

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Merlin Dunt	Mayor	Jan 2012
Karen Halva	Council Member	Jan 2012
Marc Rue	Council Member	Jan 2012
Troy Schott	Council Member	Jan 2012
Britt Dyke	Council Member	Jan 2014
Roy Guenther	Council Member	Jan 2014
Robert Vagts	City Clerk/Administrator	Indefinite
Amie Johansen	Deputy City Clerk	Indefinite
Jeremiah White	Attorney	Indefinite

City of West Union



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2011, 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 Union'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.

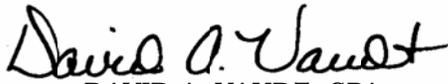
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

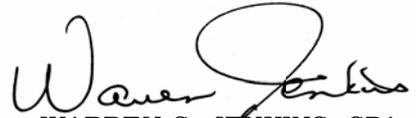
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union as of June 30, 2011, 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 November 29, 2011 on our consideration of the City of West Union'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 28 through 30 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 Union's basic financial statements. The financial statements for the eight years ended June 30, 2010 (which are not presented herein), were audited by another auditor who 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

November 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Union 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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 111.3%, or approximately \$2,449,000, from fiscal year 2010 to fiscal year 2011. Tax increment financing increased approximately \$104,000 and bond proceeds increased \$2,405,000.
- Disbursements of the City's governmental activities increased 77.5%, or approximately \$1,616,000, in fiscal year 2011 over fiscal year 2010. Public safety, public works, culture and recreation and general government decreased approximately \$38,000, \$55,000, \$165,000 and \$11,000, respectively, while community and economic development, debt service and capital projects disbursements increased approximately \$201,000, \$37,000 and \$1,647,000, respectively. Capital projects increased as a result of the Green Streetscape Pilot project.
- The City's total cash basis net assets increased 68.8%, or approximately \$776,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$820,000 and the assets of the business type activities decreased approximately \$44,000.

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

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax 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.

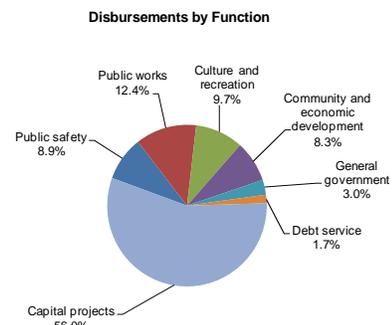
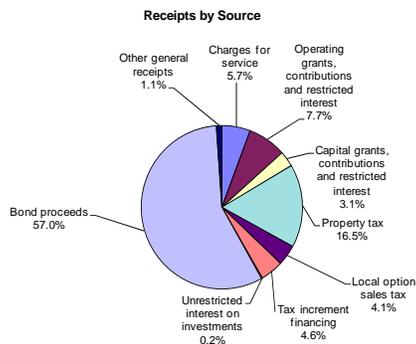
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described in Note 13 on page 26, the City determined the West Union Volunteer Firefighters Incorporated and the Friends of the Library of West Union should be reported as blended component units and, accordingly, the financial statements were restated to bring in the June 30, 2010 balances of these organizations. The amounts presented for fiscal year 2010 in this discussion and analysis were not restated for this inclusion.

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply over a year ago, increasing from approximately \$794,000 to approximately \$1,614,000. 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 (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 263	208
Operating grants, contributions and restricted interest	358	258
Capital grants, contributions and restricted interest	146	343
General receipts:		
Property tax	764	749
Tax increment financing	212	108
Local option sales tax	190	185
Unrestricted interest on investments	8	23
Bond proceeds	2,655	250
Other general receipts	53	76
Total receipts	4,649	2,200
Disbursements:		
Public safety	331	369
Public works	458	513
Culture and recreation	359	524
Community and economic development	308	107
General government	110	121
Debt service	64	27
Capital projects	2,071	424
Total disbursements	3,701	2,085
Change in cash basis net assets before transfers	948	115
Transfers, net	(128)	-
Change in cash basis net assets	820	115
Cash basis net assets beginning of year 2011, as restated	794	658
Cash basis net assets end of year	\$ 1,614	773



The City's total receipts for governmental activities increased 111.3%, or approximately \$2,449,000. The total cost of all programs and services increased approximately \$1,616,000, or 77.5%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from the issuance of general obligation bonds and the increase in disbursements was primarily due to the Green Streetscape Pilot project.

The City's property tax rates for fiscal year 2011 remained flat at \$11.33 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$3.701 million compared to approximately \$2.085 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$2.934 million because some of the cost was paid by those directly benefited from the programs (\$262,925) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$504,133). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2011 from approximately \$809,000 to approximately \$767,000. This was primarily due to less capital projects grants received in fiscal year 2011.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 247	212
Sewer	302	257
General receipts:		
Unrestricted interest on investments	2	5
Other general receipts	5	9
Total receipts	556	483
Disbursements:		
Water	434	200
Sewer	294	374
Total disbursements	728	574
Change in cash basis net assets before transfers	(172)	(91)
Transfers, net	128	-
Change in cash basis net assets	(44)	(91)
Cash basis net assets beginning of year	333	424
Cash basis net assets end of year	\$ 289	333

Total business type activities receipts for the fiscal year were approximately \$556,000 compared to approximately \$483,000 last year. This increase was due primarily to a 30% increase in water rates and an 18% increase in sewer rates. The cash balance decreased approximately \$44,000 from the prior year because of the early retirement of the remaining balance of \$181,385 of the water revenue bond.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Union completed the year, its governmental funds reported a combined fund balance of approximately \$1,614,000, an increase of more than \$820,000 above last year's total of approximately \$793,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$112,557 from the prior year restated balance of \$308,408. Due to the implementation of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the prior year Special Revenue, Library and Cemetery Funds and Capital Projects, Park Equipment Fund were combined into the General Fund. This accounted for an increase in the beginning balance in the General Fund of \$261,406. The receipts decreased approximately \$61,000 compared to the combined receipts of all of the prior year funds now included in the General Fund. This was primarily due to a decrease in receipts for the Library. When combining all prior year funds now reported in the current year General Fund, disbursements decreased approximately \$167,000 from the prior year. Disbursements in all functions decreased as no new programs were added to the General Fund.
- The Special Revenue, Road Use Tax Fund cash balance increased \$27,651 to \$128,229. Receipts were \$246,207 while disbursements were \$218,556.
- At the end of the fiscal year, the Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$145,985, an increase of \$9,570 over the previous year. Tax increment financing receipts increased approximately \$104,000 and disbursements increased approximately \$50,000 as rebate agreements were paid.
- The Capital Projects Fund cash balance increased \$707,611 over the prior year. During the year, the City issued general obligation bonds of \$2,665,000 for downtown redevelopment projects. Disbursements increased approximately \$1,652,000 as the projects were started.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$183,118 to \$82,986, due primarily to the early retirement of revenue bond debt.
- The Enterprise, Sewer Fund cash balance increased \$138,491 to \$205,975, due primarily to an increase in sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 31, 2011 and resulted in increases in receipts and other financing sources of \$4,906,750 due to general obligation bond proceeds and grant receipts and disbursements and other financing uses of \$4,081,834 due to disbursements related to the Green Streetscape Pilot project.

The City's receipts were \$375,044 less than the amended budgeted. This was primarily due to the City receiving less in intergovernmental receipts than budgeted.

Total disbursements were \$341,455 less than the amended budget. Actual disbursements for the public safety, public works, culture and recreation and general government functions were approximately \$51,000, \$84,000, \$143,000 and \$15,000, respectively, less than the amended budget. This was primarily due to a shortage of manpower for police, an unrealized fourth employee in public works and significantly lower costs in culture and recreation.

The City exceeded the amounts budgeted in the community and economic development debt service and capital projects functions for the year ended June 30, 2011 due to an increase in tax increment financing obligations paid, the general obligation bond interest payment not budgeted and the Green Streetscape Pilot project costs.

DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$3,182,000 in bonds and other long-term debt outstanding, compared to approximately \$1,166,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2011	2010
General obligation bonds	\$ 2,665	96
Loan agreements	73	300
Revenue notes	444	770
Total	\$ 3,182	1,166

Debt increased as a result of issuing general obligation bonds for the Green Streetscape Pilot project.

The City continues to carry a general obligation bond rating of A assigned by Moody's Investors Service. 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 and TIF debt of \$986,990 is \$4,169,424, which is well below the statutory debt limit of approximately \$5,600,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of West Union's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 6.5%. This compares with the State's unemployment rate of 6.1% and the national rate of 9.1%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$7.1 million, a significant increase over the final fiscal year 2011 budget. Property tax (benefiting from the fiscal year 2012 rate increases and increases in assessed valuations) and proceeds from federal and state grants are expected to lead this increase. The City will use these increases in receipts to finance general obligation bond payments and to defray increases in operating disbursements, liability insurance and employee benefit costs. Budgeted disbursements are expected to increase approximately \$4,360,000 over the fiscal year 2011 original budget. Disbursements for the Green Streetscape Pilot project, increased health care and liability insurance costs and increases in general operating costs represent the largest increases. The City has added no major new programs or initiatives to the fiscal year 2012 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$15,000 by the close of fiscal year 2012.

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 Bob Vagts, City Administrator, 612 Highway 150 South, City of West Union, Iowa 52175.

Basic Financial Statements

City of West Union

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 331,157	37,128	31,324	-
Public works	457,949	121,890	293,611	-
Culture and recreation	358,602	103,907	28,661	-
Community and economic development	308,356	-	-	-
Non-program	-	-	-	-
General government	109,730	-	-	-
Debt service	64,236	-	4,503	-
Capital Projects	-	-	-	-
Capital projects	2,071,268	-	-	146,034
Total governmental activities	3,701,298	262,925	358,099	146,034
Business type activities:				
Water	434,843	246,840	-	-
Sewer	294,038	302,406	-	-
Total business type activities	728,881	549,246	-	-
Total	\$ 4,430,179	812,171	358,099	146,034
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds, net of discount of \$10,314				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Urban renewal purposes				
Streets				
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
(262,705)	-	(262,705)
(42,448)	-	(42,448)
(226,034)	-	(226,034)
(308,356)	-	(308,356)
-	-	-
(109,730)	-	(109,730)
(59,733)	-	(59,733)
-	-	-
(1,925,234)	-	(1,925,234)
(2,934,240)	-	(2,934,240)
-	(188,003)	(188,003)
-	8,368	8,368
-	(179,635)	(179,635)
(2,934,240)	(179,635)	(3,113,875)
748,265	-	748,265
16,074	-	16,074
212,149	-	212,149
189,920	-	189,920
8,077	2,010	10,087
2,654,686	-	2,654,686
53,315	4,898	58,213
(128,100)	128,100	-
3,754,386	135,008	3,889,394
820,146	(44,627)	775,519
793,480	333,588	1,127,068
\$ 1,613,626	288,961	1,902,587
\$ 85,820	-	85,820
145,895	-	145,895
128,229	-	128,229
871,981	-	871,981
381,701	288,961	670,662
\$ 1,613,626	288,961	1,902,587

City of West Union

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

As of and for the year ended June 30, 2011

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 570,664	-	-
Tax increment financing	-	-	212,149
Other city tax	30,764	-	-
Licenses and permits	8,360	-	-
Use of money and property	13,691	-	797
Intergovernmental	83,813	243,847	-
Charges for service	212,746	-	-
Miscellaneous	53,922	2,360	-
Total receipts	973,960	246,207	212,946
Disbursements:			
Operating:			
Public safety	241,798	-	-
Public works	202,343	218,556	-
Culture and recreation	296,596	-	-
Community and economic development	22,932	-	133,489
General government	91,052	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	854,721	218,556	133,489
Excess (deficiency) of receipts over (under) disbursements	119,239	27,651	79,457
Other financing sources (uses):			
Bond proceeds, net of discount of \$10,314	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(6,682)	-	(69,887)
Total other financing sources (uses)	(6,682)	-	(69,887)
Net change in cash balances	112,557	27,651	9,570
Cash balances beginning of year, as restated	308,408	100,578	136,325
Cash balances end of year	\$ 420,965	128,229	145,895
Cash Basis Fund Balances			
Nonspendable - Cemetary	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	145,895
Streets	-	128,229	-
Other purposes	2,287	-	-
Assigned for:			
Library	205,440	-	-
Park	24,545	-	-
Cemetary	35,061	-	-
Unassigned	153,632	-	-
Total cash basis fund balances	\$ 420,965	128,229	145,895

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	162,911	733,575
-	-	212,149
10,035	179,885	220,684
-	-	8,360
316	4,692	19,496
146,034	3,176	476,870
-	-	212,746
26,021	28,675	110,978
182,406	379,339	1,994,858
-	89,359	331,157
-	37,050	457,949
-	62,006	358,602
-	151,935	308,356
-	18,678	109,730
-	64,236	64,236
2,071,268	-	2,071,268
2,071,268	423,264	3,701,298
(1,888,862)	(43,925)	(1,706,440)
2,654,686	-	2,654,686
69,887	6,682	76,569
(128,100)	-	(204,669)
2,596,473	6,682	2,526,586
707,611	(37,243)	820,146
107,306	140,863	793,480
814,917	103,620	1,613,626
-	85,820	85,820
-	-	145,895
-	-	128,229
814,917	54,777	871,981
-	-	205,440
-	-	24,545
-	-	35,061
-	(36,977)	116,655
814,917	103,620	1,613,626

City of West Union

City of West Union

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

As of and for the year ended June 30, 2011

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 246,840	302,406	549,246
Operating disbursements:			
Business type activities	224,413	243,162	467,575
Excess of operating receipts over operating disbursements	22,427	59,244	81,671
Non-operating receipts (disbursements):			
Interest on investments	1,331	679	2,010
Miscellaneous	3,554	1,344	4,898
Debt service	(204,566)	(13,205)	(217,771)
Capital projects	(5,864)	(37,671)	(43,535)
Net non-operating disbursements	(205,545)	(48,853)	(254,398)
Excess (deficiency) of receipts over (under) disbursements	(183,118)	10,391	(172,727)
Operating transfers in	-	128,100	128,100
Net change in cash balances	(183,118)	138,491	(44,627)
Cash balances beginning of year	266,104	67,484	333,588
Cash balances end of year	\$ 82,986	205,975	288,961
Cash Basis Fund Balances			
Unrestricted	\$ 82,986	205,975	288,961

See notes to financial statements.

City of West Union

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of West Union is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1857 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 Union 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 Union (the primary government), and the West Union Volunteer Firefighters Incorporated and the Friends of the Library of West Union (component units). These component units 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 West Union Volunteer Firefighters Incorporated and the Friends of the Library of West Union are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

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: Fayette County's Assessor's Conference Board, Fayette County Solid Waste Management Commission, Fayette County Emergency Management Commission, Fayette County Joint E911 Service Board, Fayette County Economic Development Board, Upper Explorerland Regional Housing Authority and West Union Industrial Development Corporation.

The City also participates in the Fayette County Civic Plaza established pursuant to Chapter 28E of the Code of Iowa between the City of West Union and Fayette County.

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 from general and emergency levies 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

The City reports the following major proprietary funds:

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

The Enterprise, 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 paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances:

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

Nonspendable – Amounts which cannot be spent 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.

Assigned – Amounts the Council authorized the City Administrator to assign for use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the community and economic development, debt service and capital projects functions and disbursements exceeded the amounts budgeted in the community and economic development, debt service, capital projects and business type activities functions prior to the budget amendment.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2011 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 and Loan Agreement Payable

Annual debt service requirements to maturity for general obligation bonds and the loan agreement are as follows:

Year Ending June 30,	General Obligation Bonds		Fire Truck Loan Agreement		Total	
	Issued Nov 3, 2010		Issued Jan 20, 2009			
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 160,000	64,088	23,333	3,269	183,333	67,357
2013	160,000	62,887	24,478	2,124	184,478	65,011
2014	165,000	61,288	25,645	930	190,645	62,218
2015	165,000	59,142	-	-	165,000	59,142
2016	170,000	56,503	-	-	170,000	56,503
2017-2021	945,000	225,930	-	-	945,000	225,930
2022-2025	900,000	76,960	-	-	900,000	76,960
Total	\$ 2,665,000	606,798	73,456	6,323	2,738,456	613,121

On November 3, 2010, the City issued \$2,665,000 of general obligation bonds for the purpose of undertaking downtown redevelopment projects and to repay the principal and interest on the line of credit.

Revenue Bonds

Local option sales tax revenue bonds of \$1,100,000 were issued in June 2005 and the proceeds were used to construct the aquatic center. The bonds are payable solely from local option sales tax receipts through 2015. According to the local option sales tax election ballot, 80% of monthly local option sales tax receipts are to be used to pay the principal and interest due on the bonds. Therefore, there is no established repayment schedule. The total principal remaining to be paid on the bonds is \$443,978. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. For the current year, principal and interest paid were \$131,177 and \$20,758, respectively.

Capital Lease Purchase Agreements

Payments under capital lease purchase agreements totaled \$13,205 for the year ended June 30, 2011.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$45,041, \$46,164 and \$39,871, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 14 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 Blue Cross and Blue Shield of Iowa. 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 \$460 for single coverage and \$1,150 for family coverage for medical/prescription drug. Currently, six employees pay \$112 per month for health benefits while the other eight do not pay a monthly amount for coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2011, the City contributed \$130,610 and plan members eligible for benefits contributed \$8,050 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and floating holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and floating holiday hours payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 38,000
Holidays	<u>6,000</u>
Total	<u>\$ 44,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 6,682
Capital Projects	Special Revenue: Urban Renewal Tax Increment	69,887
Enterprise: Sewer	Capital Projects	<u>128,100</u>
Total		<u>\$ 204,669</u>

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

(8) Risk Management

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

(9) Rebate Agreements

The City has entered into eight rebate agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the participating companies in exchange for the construction or improvement of buildings. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to fifteen years beginning with the tax year in which the property tax on the completed value of the improvements are first paid. Certain agreements also require the company to certify specific employment requirements have been met. The total to be paid by the City under the agreements is not to exceed \$1,557,027. During the year ended June 30, 2011, the City rebated \$115,381 of incremented property tax to the participating companies. The balance outstanding on these agreements at June 30, 2011 was \$1,236,258.

The above agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limitation of the City.

One of the developer agreements is subject to an annual contribution and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining seven agreements do not include annual appropriation clauses and, accordingly, the entire outstanding principal balance of these agreements is subject to the constitutional debt limitation.

(10) Deficit Balance

The Debt Service Fund had a deficit balance of \$36,977 at June 30, 2011. The deficit balance was a result of interest payments on the new debt for which property tax had not yet been collected. The deficit will be eliminated from future property tax receipts and transfers from other funds.

(11) Contractual Commitments

The City entered into various construction contracts for the Streetscape, Otter Creek and Civic Plaza projects totaling approximately \$6,751,000. The unpaid contract balances as of June 30, 2011 totaled approximately \$5,743,000, which will be paid as work on the projects progresses.

(12) Subsequent Event

In August 2011, the City issued \$1,185,000 of water revenue bonds for constructing improvements and extensions to the water utility.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended June 30, 2011. In addition, the City determined the West Union Volunteer Firefighters Incorporated and the Friends of the Library of West Union should be reported as blended component units due to their relationship with the City. The effect of fund type reclassifications and inclusion of the blended component units is as follows:

	Funds								
	Governmental Activities	General	Special Revenue				Capital Projects Park Equipment	Enterprise Water	Internal Service
			Library	Cemetery	Friends of the Library of West Union	West Union Volunteer Firefighters Incorporated			
Cash balances beginning of year, as previously reported	\$ 772,796	47,002	200,949	43,259	-	-	17,198	265,534	570
Change in fund type classification per implementation of GASB Statement No. 54	-	261,406	(200,949)	(43,259)	-	-	(17,198)	570	(570)
Blended component units	20,684	-	-	-	3,506	17,178	-	-	-
Cash balances end of year	\$ 793,480	308,408	-	-	3,506	17,178	-	266,104	-

Required Supplementary Information

City of West Union
 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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 733,575	-	-
Tax increment financing	212,149	-	-
Other city tax	220,684	-	-
Licenses and permits	8,360	-	-
Use of money and property	19,496	2,010	-
Intergovernmental	476,870	-	3,176
Charges for service	212,746	549,246	-
Miscellaneous	110,978	4,898	28,325
Total receipts	1,994,858	556,154	31,501
Disbursements:			
Public safety	331,157	-	26,198
Public works	457,949	-	-
Health and social services	-	-	-
Culture and recreation	358,602	-	1,661
Community and economic development	308,356	-	-
General government	109,730	-	-
Debt service	64,236	-	-
Capital projects	2,071,268	-	-
Business type activities	-	728,881	-
Total disbursements	3,701,298	728,881	27,859
Excess (deficiency) of receipts over (under) disbursements	(1,706,440)	(172,727)	3,642
Other financing sources, net	2,526,586	128,100	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	820,146	(44,627)	3,642
Balances beginning of year, as restated	793,480	333,588	20,684
Balances end of year	\$ 1,613,626	288,961	24,326

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
733,575	741,937	741,937	(8,362)
212,149	128,000	128,000	84,149
220,684	221,988	221,988	(1,304)
8,360	5,500	5,500	2,860
21,506	30,300	30,300	(8,794)
473,694	751,700	976,110	(502,416)
761,992	749,720	749,720	12,272
87,551	41,000	41,000	46,551
2,519,511	2,670,145	2,894,555	(375,044)
304,959	352,260	355,760	50,801
457,949	523,580	541,580	83,631
-	500	500	500
356,941	475,285	499,515	142,574
308,356	116,410	158,000	(150,356)
109,730	120,255	124,555	14,825
64,236	26,600	63,985	(251)
2,071,268	507,500	2,032,990	(38,278)
728,881	567,205	966,890	238,009
4,402,320	2,689,595	4,743,775	341,455
(1,882,809)	(19,450)	(1,849,220)	(33,589)
2,654,686	-	2,654,686	-
771,877	(19,450)	805,466	(33,589)
1,106,384	1,110,388	1,105,813	571
1,878,261	1,090,938	1,911,279	(33,018)

City of West Union

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 the 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 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,054,180. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the community and economic development, debt service and capital projects functions and disbursements exceeded the amounts budgeted in the community and economic development, debt service, capital projects and business type activities functions prior to the budget amendment.

Other Supplementary Information

City of West Union

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

As of and for the year ended June 30, 2011

	Special Revenue			
	Employee Benefits	Local Option Sales Tax	West Union Volunteer Firefighters Incorporated	Friends of the Library of West Union
Receipts:				
Property tax	\$ 146,837	-	-	-
Other city tax	10,035	169,850	-	-
Use of money and property	164	25	-	-
Intergovernmental	-	-	3,176	-
Miscellaneous	-	-	24,605	3,720
Total receipts	157,036	169,875	27,781	3,720
Disbursements:				
Operating:				
Public safety	63,161	-	26,198	-
Public works	37,050	-	-	-
Culture and recreation	60,345	-	-	1,661
Community and economic development	-	151,935	-	-
General government	18,678	-	-	-
Debt service	-	-	-	-
Total disbursements	179,234	151,935	26,198	1,661
Excess (deficiency) of receipts over (under) disbursements	(22,198)	17,940	1,583	2,059
Operating transfers in	-	-	-	-
Net change in cash balances	(22,198)	17,940	1,583	2,059
Cash balances beginning of year, as restated	34,709	-	17,178	3,506
Cash balances end of year	\$ 12,511	17,940	18,761	5,565
Cash Basis Fund Balances				
Nonspendable - Cemetery	\$ -	-	-	-
Restricted for other purposes	12,511	17,940	18,761	5,565
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 12,511	17,940	18,761	5,565

See accompanying independent auditor's report.

Debt Service	Permanent		Total
	Cemetery Perpetual Care	Cemetery Mausleum	
16,074	-	-	162,911
-	-	-	179,885
4,503	-	-	4,692
-	-	-	3,176
-	350	-	28,675
20,577	350	-	379,339
-	-	-	89,359
-	-	-	37,050
-	-	-	62,006
-	-	-	151,935
-	-	-	18,678
64,236	-	-	64,236
64,236	-	-	423,264
(43,659)	350	-	(43,925)
6,682	-	-	6,682
(36,977)	350	-	(37,243)
-	75,470	10,000	140,863
(36,977)	75,820	10,000	103,620
-	75,820	10,000	85,820
-	-	-	54,777
(36,977)	-	-	(36,977)
(36,977)	75,820	10,000	103,620

City of West Union
 Schedule of Indebtedness
 Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Nov 3, 2010	0.75% - 3.50%	\$ 2,665,000
Loan agreements:			
Line of credit	Nov 13, 2008	4.50%	\$ 450,000
Fire truck	Jan 20, 2009	4.75	115,000
Total			
Revenue bonds:			
Water	Dec 1, 1981	5.00%	\$ 396,600
Local option sales tax	Jun 27, 2005	4.00	1,100,000
Total			
Capital lease purchase agreement:			
Tractor	Jul 1, 2006	5.00%	\$ 36,769

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ -	2,665,000	-	2,665,000	37,384
300,000	-	300,000	-	12,675
95,664	-	22,208	73,456	4,394
\$ 395,664	-	322,208	73,456	17,069
195,143	-	195,143	-	9,423
575,155	-	131,177	443,978	20,758
\$ 770,298	-	326,320	443,978	30,181
\$ 12,420	-	12,420	-	785

City of West Union

City of West Union
Bond and Loan Maturities
June 30, 2011

Year Ending June 30,	General Obligation Bonds		Fire Truck	
	Corporate Purpose, Series 2010		Loan Agreement	
	Issued Nov 3, 2010		Issued Jan 20, 2009	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2012	0.75%	\$ 160,000	4.75%	\$ 23,333
2013	1.00	160,000	4.75	24,478
2014	1.30	165,000	4.75	25,645
2015	1.60	165,000		-
2016	1.80	170,000		-
2017	2.00	175,000		-
2018	2.30	180,000		-
2019	2.50	190,000		-
2020	2.75	195,000		-
2021	3.00	205,000		-
2022	3.10	210,000		-
2023	3.20	220,000		-
2024	3.30	230,000		-
2025	3.50	240,000		-
Total		<u>\$ 2,665,000</u>		<u>\$ 73,456</u>

See accompanying independent auditor's report.

City of West Union

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Nine Years

	2011	2010	2009
Receipts:			
Property tax	\$ 733,575	749,031	689,561
Tax increment financing	212,149	108,250	100,928
Other city tax	220,684	184,786	210,615
Licenses and permits	8,360	6,255	7,565
Use of money and property	19,496	23,960	32,328
Intergovernmental	476,870	250,641	316,183
Charges for service	212,746	201,360	222,188
Miscellaneous	110,978	425,427	55,917
Total	\$ 1,994,858	1,949,710	1,635,285
Disbursements:			
Operating:			
Public safety	\$ 331,157	369,303	627,563
Public works	457,949	513,331	577,220
Health and social services	-	396	351
Culture and recreation	358,602	524,056	465,741
Community and economic development	308,356	107,027	81,080
General government	109,730	120,497	110,379
Debt service	64,236	26,602	-
Capital projects	2,071,268	423,717	80,839
Total	\$ 3,701,298	2,084,929	1,943,173

See accompanying independent auditor's report.

2008	2007	2006	2005	2004	2003
715,513	681,350	659,001	594,144	581,750	589,872
74,853	64,304	47,681	189,400	178,698	177,693
200,105	211,504	168,635	166,190	192,585	208,945
6,515	6,319	8,191	8,135	7,526	6,305
40,890	39,305	31,790	13,818	11,419	28,602
674,719	225,086	224,156	225,764	257,676	404,551
205,464	189,212	193,760	189,794	144,773	157,216
44,990	151,144	81,265	700,583	130,341	87,592
1,963,049	1,568,224	1,414,479	2,087,828	1,504,768	1,660,776
334,739	291,880	311,015	248,540	278,575	399,565
836,787	500,268	415,784	358,248	362,200	417,556
360	334	316	338	280	300
424,953	426,178	390,888	250,716	318,031	310,812
60,232	59,299	313,880	135,380	18,055	16,678
119,533	103,449	117,047	105,794	117,976	109,628
1,053	26,115	69,244	234,560	339,885	428,524
62,900	130,425	164,549	1,171,332	480,316	171,269
1,840,557	1,537,948	1,782,723	2,504,908	1,915,318	1,854,332

City of West Union



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 29, 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 Union's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Union's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Union's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of West Union's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A), (B) and (C) to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Union'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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 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 Union'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 Union'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 Union and other parties to whom City of West Union may report and 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 Union 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

November 29, 2011

City of West Union

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) 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. One or two individuals identified may have control over the following areas for which no compensating controls exist:

- Cash – handling petty cash, collecting, depositing, reconciling, posting and signing checks.
- Bank reconciliations – preparation and approval.
- Debt – maintaining agreements, reconciling and signing checks.
- Receipts – collecting and recording.
- Utility receipts – billing, collecting and posting.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials.

Response – We have instituted the recommendations made by the audit team. The City Administrator will review and initial high profile billing statements before the Deputy Clerk pays them. Payroll time sheets will be reviewed by the City Administrator before payroll is cut. Tax increment financing rebate payments, debt service payments and bank reconciliations will be initialed by the City Administrator and the Mayor.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – Due to the transition of the utility billing functions, no reconciliations were done in fiscal year 2011. Procedures and overall reconciliations will be completed for fiscal year 2012. Independent review will be pursued.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified a material amount of bond proceeds misposted to the Debt Service Fund rather than the Capital Projects Fund. We also identified the component units, the West Union Volunteer Firefighters Incorporated and the Friends of the Library of West Union were not included in the June 30, 2010 audit report. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements, including the beginning balances and current year activity for the component units.

City of West Union

Schedule of Findings

Year ended June 30, 2011

Recommendation – The City should implement procedures to ensure bond proceeds and all component units are properly recorded in the City’s financial statements.

Response – All bond proceeds were posted into the Debt Service Fund based upon recommendation of new software vendor, Data Technologies. All bond proceeds will be posted to the Capital Projects Fund in the future. We will also include the West Union Volunteer Firefighters Incorporated and Friends of the Library of West Union in subsequent audit reports.

Conclusion – Response accepted.

- (D) Component Unit Segregation of Duties – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the entity’s financial statement. Generally one individual has control over the following areas for which no compensating control exists:

West Union Volunteer Firefighters Incorporated:

- Receipts – collection, deposit preparation, reconciliation and recording.
- Disbursements – preparing, recording and signing checks.

Friends of the Library of West Union:

- Receipts – collection, deposit preparation, reconciliation and recording.
- Disbursements – preparing, recording and signing checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliation.

Responses:

West Union Volunteer Firefighters Incorporated – The Fire Department will review financials on a monthly basis and once approved, forward them to the City Administrator for review and approval.

Friends of the Library of West Union – The Library Board will review financials on a monthly basis and once approved, forward them to the City Administrator for review and approval.

Conclusion – Responses accepted.

City of West Union

Schedule of Findings

Year ended June 30, 2011

(E) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer-based systems were noted:

- The City has not adopted a disaster recovery plan.
- Passwords are not changed regularly.

Recommendation – The City should adopt a disaster recovery plan and develop procedures to change passwords regularly.

Response – A disaster recovery plan will be instituted during fiscal year 2012. Passwords to City Hall computers are prompted by the system and are changed monthly. Financial software passwords will be changed monthly as well.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Union

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the community and economic development, debt service and capital projects functions. In addition, disbursements exceeded the amounts budgeted in the community and economic development, debt service, capital projects and business type activities functions prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Estimates for the streetscape project were underestimated. The community and economic development function was over due to back taxes being paid and a rebate payment made. The interest only payment on the general obligation bonds was missed in the amendment. All functions will be properly accounted for in the fiscal year 2012 amendment.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (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
Rory Starks, City Employee, Owner of R & V Snow Removal	Snow removal	\$ 50
Lane Johansen, City Employee	Coaching	20

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Employees do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 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.

City of West Union

Schedule of Findings

Year ended June 30, 2011

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council 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) Financial Condition – The Debt Service Fund had a deficit balance of \$36,997 at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The interest only payment on the general obligation bonds was missed in the transfer. This should be resolved in fiscal year 2012.

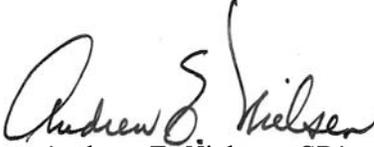
Conclusion – Response accepted.

City of West Union

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Gabriel M. Stafford, CPA, Senior Auditor
Stephen J. Hoffman, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State