



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____ November 21, 2014 _____

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515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of West Union, Iowa.

The City's receipts totaled \$4,252,684 for the year ended June 30, 2014, a 25% decrease from the prior year. The receipts included \$1,123,445 in property tax and other city tax, \$115,370 from tax increment financing, \$1,083,440 from charges for service, \$533,865 from operating grants, contributions and restricted interest, \$1,187,932 from capital grants, contributions and restricted interest, \$186,614 from local option sales tax, \$6,822 from unrestricted interest on investments and \$15,196 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$4,144,455, a 32% decrease from the prior year, and included \$1,345,797 for capital projects, \$659,739 for culture and recreation and \$455,640 for public safety. Also, disbursements for business type activities totaled \$765,678.

The significant decrease in receipts and disbursements from the prior year is mainly due to a decrease in state and federal grant receipts and a decrease in disbursements for state and federal grant programs.

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/1420-0322-B00F.pdf>.

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CITY OF WEST UNION

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

JUNE 30, 2014

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City of West Union

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Kent Halverson	Mayor	Jan 2014
Roy Guenther	Council Member	Jan 2014
Mike Lauer	Council Member	Jan 2014
Cameron Granger (Appointed)	Council Member	Nov 2015
Cathy Bemiss	Council Member	Jan 2016
Kennon Gumm	Council Member	Jan 2016
Robert Vagts	City Clerk/Administrator	(Deceased Dec 2013)
Amie Johansen	Deputy City Clerk	Indefinite
Jeremiah White	Attorney	Indefinite
(After January 2014)		
Kent Halverson	Mayor	Jan 2016
Cameron Granger	Council Member	Nov 2015
Cathy Bemiss	Council Member	Jan 2016
Kennon Gumm	Council Member	Jan 2016
Adam Keller	Council Member	Jan 2018
Isaiah Stansbery	Council Member	Jan 2018
Teresa Ruroden	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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information


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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and cash disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2014 on our consideration of the City of West Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Union's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2014

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 29.2%, or approximately \$1,458,000, from fiscal year 2013 to fiscal year 2014. Property tax decreased approximately \$23,000, operating grants, contributions and restricted interest increased approximately \$214,000, capital grants, contributions and restricted interest decreased approximately \$1,729,000 and tax increment financing increased approximately \$29,000. Capital grants, contributions and restricted interest decreased as a result of the completion of capital projects by the City and less state and federal receipts received.
- Disbursements of the City's governmental activities decreased 37.6%, or approximately \$2,039,000, in fiscal year 2014 from fiscal year 2013. Culture and recreation disbursements increased approximately \$92,000 while public works, community and economic development and capital projects disbursements decreased approximately \$14,000, \$94,000 and \$2,080,000, respectively. Capital projects disbursements decreased as a result of fewer disbursements for the Iowa Green Streets pilot project in fiscal year 2014 and completion of the geothermal project in fiscal year 2013.
- The City's total cash basis net position increased 5.1%, or approximately \$109,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$163,000 and the cash basis net position of the business type activities decreased approximately \$54,000.

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 Cash Basis Statement of Activities and Net Position. 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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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.

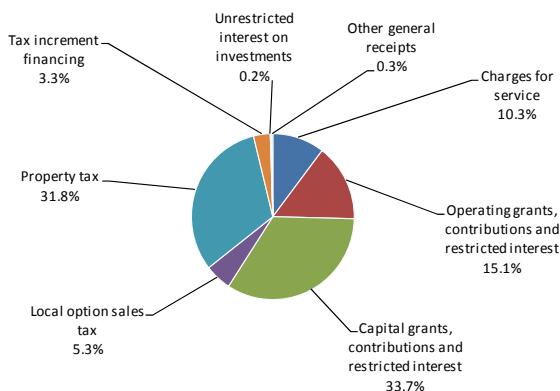
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

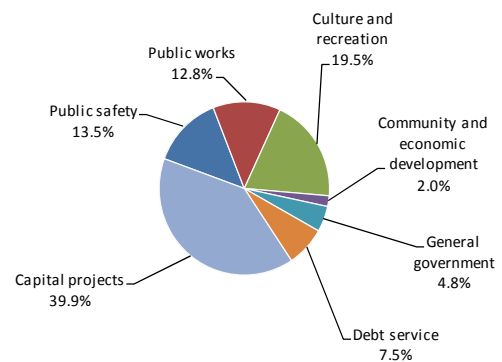
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased over a year ago, increasing from approximately \$1,499,000 to approximately \$1,662,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 364	305
Operating grants, contributions and restricted interest	534	320
Capital grants, contributions and restricted interest	1,188	2,917
General receipts:		
Property tax and other city tax	1,124	1,147
Tax increment financing	115	86
Local option sales tax	187	177
Unrestricted interest on investments	7	5
Other general receipts	12	32
Total receipts	3,531	4,989
Disbursements:		
Public safety	456	416
Public works	434	448
Culture and recreation	660	568
Community and economic development	69	163
General government	161	147
Debt service	253	250
Capital projects	1,346	3,426
Total disbursements	3,379	5,418
Change in cash basis net position before transfers	152	(429)
Transfers, net	11	133
Change in cash basis net position	163	(296)
Cash basis net position beginning of year	1,499	1,795
Cash basis net position end of year	\$ 1,662	1,499

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 29.2%, or approximately \$1,458,000. The total cost of all programs and services decreased approximately \$2,039,000, or 37.6%, with no new programs added this year. The decrease in receipts was primarily the result of fewer state and federal grants received. The decrease in disbursements was primarily due to fewer disbursements for the Iowa Green Streets pilot project and completion of the geothermal project in fiscal year 2013.

The cost of all governmental activities this year was approximately \$3.379 million compared to approximately \$5.418 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$1.293 million because some of the cost was paid by those directly benefited from the programs (\$364,324) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,721,797). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$3,542,000 to approximately \$2,086,000. This was primarily due to less state and federal grants for the Iowa Green Streets pilot project in fiscal year 2014 and completion of the geothermal project in fiscal year 2013.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 357	343
Sewer	362	355
General receipts:		
Unrestricted interest on investments	-	1
Other general receipts	3	2
Total receipts	<u>722</u>	<u>701</u>
Disbursements:		
Water	431	336
Sewer	334	313
Total disbursements	<u>765</u>	<u>649</u>
Change in cash basis net position before transfers	(43)	52
Transfers, net	(11)	(133)
Change in cash basis net position	(54)	(81)
Cash basis net position beginning of year	627	708
Cash basis net position end of year	<u>\$ 573</u>	<u>627</u>

Total business type activities receipts for the fiscal year were approximately \$722,000 compared to approximately \$701,000 last year. This increase was due primarily to an increase in water usage and an increase in the capital improvement fee for water in fiscal year 2014. The cash balance decreased approximately \$54,000 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Union completed the year, its governmental funds reported a combined fund balance of approximately \$1,662,000, an increase of approximately \$163,000 above last year's **total** of approximately \$1,499,000. 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 decreased \$90,415 from the prior year balance of \$715,737. Receipts increased approximately \$20,000 compared to the prior year. This was primarily due to an increase of approximately \$31,000 from licenses and permits receipts as a result of the City instituting a franchise fee on gas utilities. Disbursements increased approximately \$135,000 over the prior year, primarily due to the purchase of capital equipment for the police and park departments.
- At the end of the fiscal year, the Special Revenue, Road Use Tax Fund cash balance was \$179,472, an increase of approximately \$29,000 over the previous year. Road use tax disbursements decreased approximately \$12,000 and receipts remained fairly consistent.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$71,260 to \$252,630. Receipts were \$28,662 more than in the prior fiscal year, while disbursements were \$52,912 less than in fiscal year 2013.
- The Capital Projects Fund cash balance increased \$48,352 over the prior year. In fiscal year 2013, the City completed work on the geothermal project and completed the Iowa Green Streets pilot project in fiscal year 2014, with most disbursements for this project occurring in prior fiscal years. Receipts decreased approximately \$1,506,000 and disbursements decreased approximately \$2,081,000 as the projects were completed.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$73,322 to \$294,351, due primarily to more capital improvements being made in fiscal year 2014.
- The Enterprise, Sewer Fund cash balance increased \$18,966 to \$278,873, primarily due to not transferring funds to the Debt Service Fund in fiscal year 2014.

BUDGETARY HIGHLIGHTS

The City’s receipts were \$483,846 less than budgeted. This was primarily due to the City receiving less in intergovernmental receipts than budgeted.

Total disbursements were \$853,693 less than the amended budget. Actual disbursements for the community and economic development, capital projects and business type activities functions were approximately \$104,000, \$483,000 and \$115,000, respectively, less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$3,342,000 of bonds and other long-term debt outstanding, compared to approximately \$3,747,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation bonds	\$ 2,180	2,345
Loan agreement	-	25
Revenue bonds	1,076	1,263
Lease purchase agreement	86	114
Total	\$ 3,342	3,747

Debt decreased as a result of regular debt service payments being made.

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 debt, including TIF rebate agreements of \$916,763 and local option sales tax bonds of \$36,315, is \$3,219,407, which is well below the statutory debt limit of approximately \$5,695,000.

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 2015 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City at June 2014 was 5.1%. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1% as of the same time period.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$3.4 million, a significant decrease from the fiscal year 2014 budget. Proceeds from federal and state grants and charges for service are expected to lead this decrease. Budgeted disbursements are expected to decrease approximately \$1,802,000 from the fiscal year 2014 original budget. The Green Streetscape pilot project is complete and the City has added no major new programs or initiatives to the fiscal year 2015 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$65,000 by the close of fiscal year 2015.

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 Teresa Ruroden, City Administrator, 612 Highway 150 South, City of West Union, Iowa 52175.

Basic Financial Statements

City of West Union

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 455,640	66,778	34,571	-
Public works	434,144	135,570	255,590	-
Culture and recreation	659,739	161,976	18,848	-
Community and economic development	68,694	-	-	-
General government	161,434	-	-	-
Debt service	253,329	-	-	-
Capital projects	1,345,797	-	224,856	1,187,932
Total governmental activities	3,378,777	364,324	533,865	1,187,932
Business type activities:				
Water	430,991	356,815	-	-
Sewer	334,687	362,301	-	-
Total business type activities	765,678	719,116	-	-
Total	\$ 4,144,455	1,083,440	533,865	1,187,932
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				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery				
Expendable:				
Urban renewal purposes				
Streets				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(354,291)	-	(354,291)
(42,984)	-	(42,984)
(478,915)	-	(478,915)
(68,694)	-	(68,694)
(161,434)	-	(161,434)
(253,329)	-	(253,329)
66,991	-	66,991
(1,292,656)	-	(1,292,656)
-	(74,176)	(74,176)
-	27,614	27,614
-	(46,562)	(46,562)
(1,292,656)	(46,562)	(1,339,218)
928,768	-	928,768
194,677	-	194,677
115,370	-	115,370
186,614	-	186,614
6,773	49	6,822
12,082	3,114	15,196
10,957	(10,957)	-
1,455,241	(7,794)	1,447,447
162,585	(54,356)	108,229
1,499,173	627,580	2,126,753
\$ 1,661,758	573,224	2,234,982
\$ 92,906	-	92,906
252,630	-	252,630
179,472	-	179,472
373,823	359,963	733,786
206	92,663	92,869
240,766	8,461	249,227
521,955	112,137	634,092
\$ 1,661,758	573,224	2,234,982

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, 2014

	General	Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 655,111	-	-
Tax increment financing	-	-	115,370
Other city tax	33,983	-	-
Local option sales tax	-	-	-
Licenses and permits	37,761	-	-
Use of money and property	17,572	-	-
Intergovernmental	39,028	248,237	-
Charges for service	227,584	-	-
Miscellaneous	76,352	7,353	-
Total receipts	1,087,391	255,590	115,370
Disbursements:			
Operating:			
Public safety	354,523	-	-
Public works	176,482	226,689	-
Culture and recreation	448,610	-	-
Community and economic development	24,584	-	44,110
General government	132,117	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,136,316	226,689	44,110
Excess (deficiency) of receipts over (under) disbursements	(48,925)	28,901	71,260
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(41,490)	-	-
Total other financing sources (uses)	(41,490)	-	-
Change in cash balances	(90,415)	28,901	71,260
Cash balances beginning of year	715,737	150,571	181,370
Cash balances end of year	\$ 625,322	179,472	252,630
Cash Basis Fund Balances			
Nonspendable - Cemetery	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	252,630
Streets	-	179,472	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	103,367	-	-
Assigned for:			
Library	145,622	-	-
Park	148,516	-	-
Cemetery	24,129	-	-
Unassigned	203,688	-	-
Total cash basis fund balances	\$ 625,322	179,472	252,630

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	434,351	1,089,462
-	-	115,370
-	-	33,983
-	186,614	186,614
-	-	37,761
-	832	18,404
1,412,788	-	1,700,053
-	880	228,464
-	36,589	120,294
1,412,788	659,266	3,530,405
-	101,117	455,640
-	30,973	434,144
-	211,129	659,739
-	-	68,694
-	29,317	161,434
-	253,329	253,329
1,345,797	-	1,345,797
1,345,797	625,865	3,378,777
66,991	33,401	151,628
16,861	97,273	114,134
(35,500)	(26,187)	(103,177)
(18,639)	71,086	10,957
48,352	104,487	162,585
325,471	126,024	1,499,173
373,823	230,511	1,661,758
-	92,906	92,906
-	-	252,630
-	-	179,472
373,823	-	373,823
-	206	206
-	137,399	240,766
-	-	145,622
-	-	148,516
-	-	24,129
-	-	203,688
373,823	230,511	1,661,758

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, 2014

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 353,045	362,301	715,346
Miscellaneous	3,770	-	3,770
Total operating receipts	356,815	362,301	719,116
Operating disbursements:			
Business type activities	254,368	259,468	513,836
Excess of operating receipts over operating disbursements	102,447	102,833	205,280
Non-operating receipts (disbursements):			
Interest on investments	49	-	49
Miscellaneous	955	2,159	3,114
Debt service	(90,688)	-	(90,688)
Capital projects	(85,935)	(75,219)	(161,154)
Net non-operating receipts (disbursements)	(175,619)	(73,060)	(248,679)
Excess (deficiency) of receipts over (under) disbursements	(73,172)	29,773	(43,399)
Transfers out	(150)	(10,807)	(10,957)
Change in cash balances	(73,322)	18,966	(54,356)
Cash balances beginning of year	367,673	259,907	627,580
Cash balances end of year	\$ 294,351	278,873	573,224
Cash Basis Fund Balances			
Restricted for:			
Capital projects	\$ 163,727	196,236	359,963
Debt service	92,663	-	92,663
Meter deposits	8,461	-	8,461
Unrestricted	29,500	82,637	112,137
Total cash basis fund balances	\$ 294,351	278,873	573,224

See notes to financial statements.

City of West Union

Notes to Financial Statements

June 30, 2014

(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 its component unit. This component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit - West Union Volunteer Firefighters Incorporated is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is 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 Cash Basis Statement of Activities and Net Position 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. \$304,221 is restricted by enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general 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 are imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds, Loan Agreement and Lease 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
2015	\$ 165,000	59,143	45,000	43,625	210,000	102,768
2016	170,000	56,502	45,000	42,162	215,000	98,664
2017	175,000	53,443	50,000	40,700	225,000	94,143
2018	180,000	49,942	50,000	39,075	230,000	89,017
2019	190,000	45,803	50,000	37,450	240,000	83,253
2020-2024	1,060,000	145,302	280,000	160,463	1,340,000	305,765
2025-2029	240,000	8,400	355,000	96,537	595,000	104,937
2030-2031	-	-	165,000	13,125	165,000	13,125
Total	\$ 2,180,000	418,535	1,040,000	473,137	3,220,000	891,672

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 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 at June 30, 2014 is \$36,315. 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 \$141,620 and \$4,487, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,175,000 of water revenue bonds issued in August 2011. 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 2031. Annual principal and interest payments on the bonds are expected to require less than 88% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,513,137. For the current year, principal and interest paid and total customer net receipts were \$90,088 and \$103,451, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate water revenue bond sinking account within the Enterprise, Water Fund for the purpose of making the bond principal and interest payments when due.
- (c) A reserve account of \$92,663 shall be established. This account is restricted for the purpose of paying, at maturity, principal or interest on the bonds when insufficient money shall be available in the sinking account.
- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the bonds falling due in the same year.

For the year ended June 30, 2014, the City did not make the required transfers to the sinking account and did not maintain net receipts at a level of not less than 125% of the principal and interest falling due during the year.

Lease Purchase Agreement

On April 22, 2013, the City entered into a lease purchase agreement to lease three vehicles for the police fleet with a cost of \$113,499 and an interest rate of 2.88% per annum. Annual debt service requirements to maturity under the lease purchase agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 27,958	2,286	30,244
2016	28,768	1,476	30,244
2017	29,603	641	30,244
Total	\$ 86,329	4,403	90,732

(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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$63,367, \$59,573 and \$53,010, 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, retirees and their spouses. There are 13 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 \$405 for single coverage and \$1,011 for family coverage for medical/prescription drug benefits. Currently, 10 employees pay \$102 per month for family coverage health benefits while the other three do not pay a monthly amount for coverage. For the year ended June 30, 2014, the City contributed \$145,203 and plan members eligible for benefits contributed \$14,405 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, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 50,000
Floating holidays	<u>6,000</u>
Total	<u>\$ 56,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Interfund Transfers

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

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 5,904
	Enterprise:	
	Water	150
	Sewer	<u>10,807</u>
		<u>16,861</u>
Debt Service	General	35,586
	Special Revenue:	
	Local Option Sales Tax	26,187
	Capital Projects	<u>35,500</u>
		<u>97,273</u>
Total		<u>\$ 114,134</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) Employee Health/Dental/Vision Insurance Plan

The City has a group insurance policy through Wellmark which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City provides for a fully insured benefit through Wellmark. The deductible is \$1,500 for single coverage and \$3,000 for family coverage. The employee is responsible for the first \$200 of the deductible for each eligible person, up to \$400 per family. The City subsidizes 60% of the remaining deductible.

The City will reimburse each employee up to \$1,000 per calendar year for eligible dental or vision claims.

The City pays employees for the eligible claims from the Special Revenue, Employee Benefits and the Enterprise, Water and Sewer Funds. During the year ended June 30, 2014, the City paid \$11,861 to employees for claims.

(10) 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 \$1,275,661. During the year ended June 30, 2014, the City rebated \$29,110 of incremental property tax to the participating companies.

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 agreements is subject to an annual appropriation 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.

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other 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

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,089,462	-	-
Tax increment financing	115,370	-	-
Other city tax	33,983	-	-
Local option sales tax	186,614	-	-
Licenses and permits	37,761	-	-
Use of money and property	18,404	49	25
Intergovernmental	1,700,053	-	-
Charges for service	228,464	715,346	-
Miscellaneous	120,294	6,884	34,546
Total receipts	<u>3,530,405</u>	<u>722,279</u>	<u>34,571</u>
Disbursements:			
Public safety	455,640	-	24,230
Public works	434,144	-	-
Culture and recreation	659,739	-	-
Community and economic development	68,694	-	-
General government	161,434	-	-
Debt service	253,329	-	-
Capital projects	1,345,797	-	-
Business type activities	-	765,678	-
Total disbursements	<u>3,378,777</u>	<u>765,678</u>	<u>24,230</u>
Excess (deficiency) of receipts over (under) disbursements	151,628	(43,399)	10,341
Other financing sources, net	10,957	(10,957)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	162,585	(54,356)	10,341
Balances beginning of year	1,499,173	627,580	26,852
Balances end of year	<u>\$ 1,661,758</u>	<u>573,224</u>	<u>37,193</u>

See accompanying independent auditor's report.

Total	Original/Final Budgeted Amounts	Final to Total Variance
1,089,462	1,060,030	29,432
115,370	200,435	(85,065)
33,983	68,145	(34,162)
186,614	182,000	4,614
37,761	7,300	30,461
18,428	14,000	4,428
1,700,053	2,059,576	(359,523)
943,810	894,335	49,475
92,632	216,138	(123,506)
4,218,113	4,701,959	(483,846)
431,410	476,018	44,608
434,144	465,220	31,076
659,739	730,869	71,130
68,694	172,687	103,993
161,434	166,799	5,365
253,329	253,391	62
1,345,797	1,828,735	482,938
765,678	880,199	114,521
4,120,225	4,973,918	853,693
97,888	(271,959)	369,847
-	-	-
97,888	(271,959)	369,847
2,099,901	2,558,604	(458,703)
2,197,789	2,286,645	(88,856)

City of West Union

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented 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 unit. 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, the City did not amend the budget.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

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, 2014

	Special Revenue		
	Employee Benefits	Local Option Sales Tax	West Union Volunteer Firefighters Incorporated
Receipts:			
Property tax	\$ 239,674	-	-
Local option sales tax	-	186,614	-
Use of money and property	-	-	25
Charges for services	-	-	-
Miscellaneous	2,043	-	34,546
Total receipts	241,717	186,614	34,571
Disbursements:			
Operating:			
Public safety	76,887	-	24,230
Public works	30,973	-	-
Culture and recreation	65,022	146,107	-
General government	29,317	-	-
Debt service	-	-	-
Total disbursements	202,199	146,107	24,230
Excess (deficiency) of receipts over (under) disbursements	39,518	40,507	10,341
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	(26,187)	-
Total other financing sources (uses)	-	(26,187)	-
Change in cash balances	39,518	14,320	10,341
Cash balances beginning of year	30,470	15,898	26,852
Cash balances end of year	\$ 69,988	30,218	37,193
Cash Basis Fund Balances			
Nonspendable - Cemetery	\$ -	-	-
Restricted for:			
Debt service	-	-	-
Other purposes	69,988	30,218	37,193
Total cash basis fund balances	\$ 69,988	30,218	37,193

See accompanying independent auditor's report.

Debt Service	Permanent		Total
	Cemetery Perpetual Care	Cemetery Mausoleum	
194,677	-	-	434,351
-	-	-	186,614
-	709	98	832
-	880	-	880
-	-	-	36,589
194,677	1,589	98	659,266
-	-	-	101,117
-	-	-	30,973
-	-	-	211,129
-	-	-	29,317
253,329	-	-	253,329
253,329	-	-	625,865
(58,652)	1,589	98	33,401
97,273	-	-	97,273
-	-	-	(26,187)
97,273	-	-	71,086
38,621	1,589	98	104,487
(38,415)	80,798	10,421	126,024
206	82,387	10,519	230,511
-	82,387	10,519	92,906
206	-	-	206
-	-	-	137,399
206	82,387	10,519	230,511

City of West Union
Schedule of Indebtedness
Year ended June 30, 2014

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 agreement:			
Fire truck	Jan 20, 2009	4.75%	\$ 115,000
Revenue bonds:			
Local option sales tax	Jun 27, 2005	4.00%	\$ 1,100,000
Water	Aug 16, 2011	3.25 - 5.25	1,175,000
Total			
Lease purchase agreement:			
Police vehicles	Apr 22, 2013	2.88%	\$ 113,499

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,345,000	-	165,000	2,180,000	61,288
25,494	-	25,494	-	1,047
177,935	-	141,620	36,315	4,487
1,085,000	-	45,000	1,040,000	45,088
\$ 1,262,935	-	186,620	1,076,315	49,575
113,499	-	27,170	86,329	3,075

City of West Union

City of West Union

Bond Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bonds		Water	
	Corporate Purpose, Series 2010		Revenue Bonds	
	Issued Nov 3, 2010		Issued Aug 16, 2011	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2015	1.60%	\$ 165,000	3.25%	\$ 45,000
2016	1.80	170,000	3.25	45,000
2017	2.00	175,000	3.25	50,000
2018	2.30	180,000	3.25	50,000
2019	2.50	190,000	3.25	50,000
2020	2.75	195,000	3.25	50,000
2021	3.00	205,000	3.25	55,000
2022	3.10	210,000	4.00	55,000
2023	3.20	220,000	4.00	60,000
2024	3.30	230,000	4.00	60,000
2025	3.50	240,000	4.50	65,000
2026		-	4.50	65,000
2027		-	4.50	70,000
2028		-	5.00	75,000
2029		-	5.00	80,000
2030		-	5.25	80,000
2031		-	5.25	85,000
Total		<u>\$ 2,180,000</u>		<u>\$ 1,040,000</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 Ten Years

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 1,089,462	1,108,806	1,062,966	733,575
Tax increment financing	115,370	86,403	161,930	212,149
Other city tax	220,597	214,583	223,283	220,684
Licenses and permits	37,761	6,726	6,879	8,360
Use of money and property	18,404	23,112	23,953	19,496
Intergovernmental	1,700,053	3,203,699	3,222,738	476,870
Charges for service	228,464	212,999	245,055	212,746
Miscellaneous	120,294	132,805	192,662	110,978
Total	<u>\$ 3,530,405</u>	<u>4,989,133</u>	<u>5,139,466</u>	<u>1,994,858</u>
Disbursements:				
Operating:				
Public safety	\$ 455,640	415,650	355,167	331,157
Public works	434,144	448,580	623,289	457,949
Health and social services	-	-	-	-
Culture and recreation	659,739	568,297	562,778	358,602
Community and economic development	68,694	162,853	143,280	308,356
General government	161,434	146,692	141,128	109,730
Debt service	253,329	250,089	251,515	64,236
Capital projects	1,345,797	3,426,349	2,895,476	2,071,268
Total	<u>\$ 3,378,777</u>	<u>5,418,510</u>	<u>4,972,633</u>	<u>3,701,298</u>

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
749,031	689,561	715,513	681,350	659,001	594,144
108,250	100,928	74,853	64,304	47,681	189,400
184,786	210,615	200,105	211,504	168,635	166,190
6,255	7,565	6,515	6,319	8,191	8,135
23,960	32,328	40,890	39,305	31,790	13,818
250,641	316,183	674,719	225,086	224,156	225,764
201,360	222,188	205,464	189,212	193,760	189,794
425,427	55,917	44,990	151,144	81,265	700,583
1,949,710	1,635,285	1,963,049	1,568,224	1,414,479	2,087,828
369,303	627,563	334,739	291,880	311,015	248,540
513,331	577,220	836,787	500,268	415,784	358,248
396	351	360	334	316	338
524,056	465,741	424,953	426,178	390,888	250,716
107,027	81,080	60,232	59,299	313,880	135,380
120,497	110,379	119,533	103,449	117,047	105,794
26,602	-	1,053	26,115	69,244	234,560
423,717	80,839	62,900	130,425	164,549	1,171,332
2,084,929	1,943,173	1,840,557	1,537,948	1,782,723	2,504,908

City of West Union
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	09-OT-002	\$ 175,020
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	09-DTR-002	180,187
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12-DTR-012	224,856
Total			<u>\$ 580,063</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of West Union and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 15, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of 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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-14 through II-D-14 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of West Union's Responses to the Findings

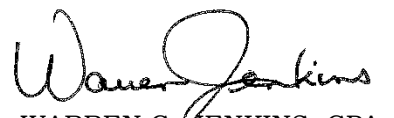
The City of West Union's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of West Union's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2014

City of West Union

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control over Compliance
Required by OMB Circular A-133**



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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of West Union, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of West Union's major federal program for the year ended June 30, 2014. The City of West Union's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of West Union's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the City of West Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of West Union's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of West Union complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance


The management of the City of West Union is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of West Union's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of West Union's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

The City of West Union's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City of West Union's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2014

City of West Union
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA 14.228 – Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of West Union did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One or two individuals identified may have control over the following areas for which no compensating controls exist:

- Accounting system – performing all general accounting functions, including journal entries and having custody of the City’s assets.
- Cash – handling petty cash, collecting, depositing, reconciling, posting and signing checks.
- Bank reconciliations – preparing, reviewing and approving.
- Long-term 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 – The City Administrator reviews all disbursements as the checks are signed. Petty cash has a spreadsheet used by the Deputy City Clerk and the Administrator by which cash in and out is verified by the other employee. All others are covered by system generated reports which are seen by both employees.

Conclusion – Response accepted.

II-B-14 Journal Entries – Journal entries were not reviewed and approved by an independent person.

Recommendation – To strengthen internal control, journal entries should be reviewed and approved by an independent person.

Response – Most journal entries are for NSF checks or corrections in the system, which are done with staff from Data Tech assisting for correcting entries. All other journal entries are discussed between the Administrator and Deputy Clerk. Then they are entered in the system with assistance from Data Tech.

Conclusion – Response accepted.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-C-14 Segregation of Duties – West Union Volunteer Firefighters – 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 financial statements. For the West Union Volunteer Firefighters:

- 1) Cash collection and deposit preparation are performed by the same individual who records and accounts for cash.
- 2) The individual who signs checks also records cash receipts and prepares checks.

Recommendation – We realize segregation of duties is difficult with a limited number of available individuals. However, the West Union Volunteer Firefighters should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members.

Response – The Fire Department has established an investigating committee which consists of the Assistant Chief, 2nd Assistant and the Captain to meet monthly to examine the books and accounts of the Secretary/Treasurer and report the state of the same in writing at the annual meeting. The Fire Department has established a 501C which is where donations and fundraising money is kept. Cash from fundraising activities is counted by a group which does not include the Secretary/Treasurer.

Conclusion – Response accepted.

II-D-14 Credit Cards – Supporting documentation was not always available to support credit card charges.

Recommendation – Supporting documentation for all credit card purchases should be retained.

Response – The City will implement an expense form. The requirement for supporting documentation has already been implemented and must be attached for approval for payment.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Union
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 14.228: Community Development Block Grants/State's program
and Non-Entitlement Grants in Hawaii
Pass-through Agency Number: 09-OT-002, 09-DTR-002, 12-DTR-012
Federal Award Year: 2009, 2012
U.S. Department of Housing and Urban Development
Passed through the Iowa Economic Development Authority**

III-A-14 Segregation of Duties over Federal Receipts – The City did not properly
(2014-001) segregate collection, deposit and record-keeping for receipts, including
those related to federal programs. See item II-A-14.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- IV-B-14 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.
- IV-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Cameron Granger, City Council member, husband is owner of Signs by Design	City street signs	\$ 2,629

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, these transactions may represent a conflict of interest since total transactions were greater than \$2,500 during the fiscal year and they were not competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

Response – The purchase of the City street signs was a one time event to finish the Main Street project. When the approval for payment was brought to City Council, Councilman Granger abstained from the vote. The City Administrator will review with the City Attorney regarding this matter.

Conclusion – Response accepted.

- V-E-14 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.

- IV-F-14 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

The City Council went into closed session on November 18, 2013. Two-thirds approval of the City Council members present at the meeting was not documented as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

Response – The City is aware of the error and has consulted with the City Attorney. The City assures it will not take place in the future.

Conclusion – Response accepted.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-G-14 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.

IV-H-14 Revenue Bonds – The City has established a water revenue bond sinking account, but monthly transfers to the sinking account required by the water revenue bond resolution were not made during the fiscal year. In addition, the City did not maintain net receipts at a level not less than 125% of the principal and interest on the bonds due during the fiscal year.

Recommendation – The City should make the necessary transfers required by the water revenue bond resolution and ensure net receipts are maintained at a level not less than 125% of the principal and interest on the bonds due during the year.

Response – The previous City Administrator directed the transfers of these funds. Due to his untimely death and the transition to the new Clerk/Administrator this transfer was missed. The Deputy Clerk and the Administrator will review and ensure completion of this process. The City has discussed with Bond Council and will review the water rates each year to ensure we comply with the revenue bond covenants.

Conclusion – Response accepted.

IV-I-14 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

We noted the following regarding the City’s TIF debt certification dated November 25, 2013:

- During the year ended June 30, 2014, the City collected \$74,864 of property tax for the West Union Consolidated Urban Renewal Area. It is unclear how these collections meet the definition of an urban renewal project as defined in Chapter 403 of the Code of Iowa.
- In fiscal year 2013, time had expired on three developer agreements and the City will not make additional payments. However, the developer agreements have not been decertified by the City.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City’s TIF certifications, including the amount of TIF debt to be decertified, if any. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Response – The City utilized the \$74,864 to assist with payment of the downtown sewer project since it was anticipated by the City there would be a shortfall. The City Administrator will consult with the Financial Advisors for the City and the County Auditor to ensure the proper procedures for certification and decertification are completed.

Conclusion – Response accepted.

IV-J-14 Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management before December 1. However, the following reporting exceptions were noted on the Levy Authority Summary:

- The amount reported by the City as TIF debt outstanding was understated by \$2,515.
- The City's beginning and ending cash balances as well as the receipts and disbursements of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's records.

Recommendation – The City should ensure the annual urban renewal report agrees to the City's records.

Response – The Administrator will cross-check amounts reported on the Levy Authority Summary with the City's records.

Conclusion – Response accepted.

City of West Union

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Jessica L. Barloon, CPA, Staff Auditor
Megan E. Irvin, Assistant Auditor
Nicole L. Roethlisberger, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State