



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 5, 2015

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515/281-5834

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

The City's receipts totaled \$3,619,212 for the year ended June 30, 2014, a 37.3% decrease from the prior year. The receipts included \$1,559,380 in property tax, \$36,912 from tax increment financing, \$147,596 from local option sales tax, \$896,674 from charges for service, \$499,850 from operating grants, contributions and restricted interest, \$3,958 from unrestricted interest on investments, \$400,000 of note proceeds and \$74,842 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$4,103,414, a 13.8% decrease from the prior year, and included \$925,633 for culture and recreation, \$556,440 for public safety and \$480,201 for public works. Disbursements for business type activities totaled \$1,516,520.

The significant decrease in receipts and disbursements is primarily due to a decrease in bond proceeds received and disbursed. In the prior fiscal year, bond proceeds were received and disbursed for a lift station project and to refund the outstanding balance of the City's 2005 general obligation water improvement bonds.

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/1420-0142-B00F.pdf>.

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

JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Fiduciary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	20
Notes to Financial Statements		21-30
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		32-33
Notes to Other Information – Budgetary Reporting		34
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	36-37
Schedule of Indebtedness	2	38-39
Bond and Note Maturities	3	40-41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	42-43
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		45-46
Schedule of Findings		47-50
Staff		51

City of West Branch

Officials

(Before January 2014)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Mark Worrell (Appointed Mar 2013)	Mayor	Nov 2013
Jim Oaks	Mayor Pro tem	Jan 2014
Dan O'Neil	Council Member	(Resigned Apr 2013)
Dick Stoolman (Appointed Apr 2013)	Council Member	Nov 2013
Mary Beth Stevenson (Appointed May 2013)	Council Member	Nov 2013
Jordan Ellyson	Council Member	Jan 2016
Colton Miller	Council Member	Jan 2016
Matt Muckler	Administrator/City Clerk	Indefinite
Dawn Brandt	Deputy Clerk	Indefinite
Kevin D. Olson	Attorney	Indefinite

(After January 2014)

Mark Worrell	Mayor	Jan 2016
Colton Miller	Mayor Pro tem	Jan 2016
Jordan Ellyson	Council Member	Jan 2016
Brian Pierce	Council Member	Jan 2016
Tim Shields	Council Member	Jan 2018
Mary Beth Stevenson	Council Member	Jan 2018
Matt Muckler	Administrator/City Clerk	Indefinite
Dawn Brandt	Deputy City Clerk	Indefinite
Kevin D. Olson	City Attorney	Indefinite

City of West Branch



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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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch 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 Branch's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The 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.

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 32 through 34, 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 February 12, 2015 on our consideration of the City of West Branch'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 Branch's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 12, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Branch provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 21.6%, or \$807,537, from fiscal year 2013 to fiscal year 2014.
- Disbursements of the City's governmental activities decreased 27.2%, or \$965,871, in fiscal year 2014 from fiscal year 2013.
- The City's total cash basis net position decreased 17.6%, or \$484,202 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased \$338,149 and the cash basis net position of the business type activities decreased \$822,351.

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.

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, 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 and 4) 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 various functions.

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.

3) The fiduciary fund (the Agency, Flexible Benefits Fund) accounts for resources held for others.

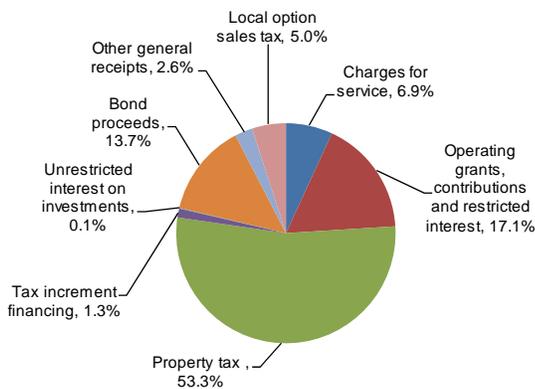
The required financial statement for the fiduciary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

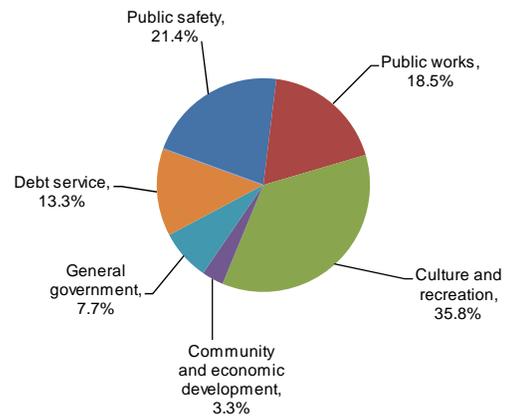
Net position may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased \$338,149 from a year ago, from \$1,492,521 to \$1,830,670. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 202,505	131,460
Operating grants, contributions and restricted interest	499,850	479,229
General receipts:		
Property tax	1,559,380	1,329,716
Tax increment financing	36,912	97,387
Local option sales tax	147,596	166,392
Unrestricted interest on investments	3,958	3,443
Bond/note proceeds	400,000	1,453,570
Other general receipts	74,842	71,383
Total receipts	2,925,043	3,732,580
Disbursements:		
Public safety	556,440	495,520
Public works	480,201	706,656
Culture and recreation	925,633	457,409
Community and economic development	85,428	21,250
General government	198,704	221,738
Debt service	340,488	1,650,192
Total disbursements	2,586,894	3,552,765
Change in cash basis net position	338,149	179,815
Cash basis net position beginning of year, as restated	1,492,521	1,312,706
Cash basis net position end of year	\$ 1,830,670	1,492,521

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 21.6%, or \$807,537, from the prior year. The significant decrease in receipts is primarily due to bond proceeds collected in fiscal year 2013 to refund the outstanding balance of the City's 2005 general obligation water improvement bonds. The decrease was offset by an increase of \$229,664 in property tax receipts. This increase is primarily due to the City releasing tax increment financing valuation in July 2013 related to termination of a rebate agreement.

The total cost of all programs and services decreased \$965,871, or 27.2%. This decrease is primarily due to decreased debt service costs associated with refunding the 2005 general obligation bonds. This decrease was partially offset by an increase in culture and recreation disbursements to purchase land for future park space.

The cost of all governmental activities this year was \$2,586,894 compared to \$3,552,765 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14 and 15, the amount taxpayers ultimately financed for these activities was only \$1,884,539 because some of the cost was paid by those who directly benefited from the programs (\$202,505) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$499,850). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014. The City paid for the remaining "public benefit" portion of governmental activities with \$1,596,292 of levied taxes, \$147,596 of local option sales tax, \$400,000 of note proceeds and \$78,800 of other receipts, such as interest and miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 409,846	373,856
Sewer	284,323	261,953
General receipts:		
Bond proceeds	-	1,403,954
Total receipts	694,169	2,039,763
Disbursements:		
Water	473,901	324,711
Sewer	1,042,619	883,629
Total disbursements	1,516,520	1,208,340
Change in cash basis net position	(822,351)	831,423
Cash basis net position beginning of year	1,251,037	419,614
Cash basis net position end of year	\$ 428,686	1,251,037

Total business type activities receipts for the fiscal year were \$694,169 compared to \$2,039,763 last year. The cash balance decreased \$822,351 from the prior year. Total disbursements for the fiscal year increased 25.5% to \$1,516,520. The decrease in receipts and increase in disbursements was primarily due to bond proceeds collected in the prior year and disbursed in the prior and current year for a sewer lift station project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Branch completed the year, its governmental funds reported a combined cash balance of \$1,830,670, an increase of \$338,149 over last year's total of \$1,492,521. The following are reasons for changes in cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$254,549, or 32.2%, over the prior year to \$1,044,995. Receipts increased approximately \$221,600 due, in part, to an increase in property tax during fiscal year 2014. Taxable valuations increased approximately 18%. In addition, the City released tax increment financing valuation in July 2013, increasing the amount of property tax apportioned to and collected by the General Fund. Donations received for the Fire Department also increased approximately \$82,000. Disbursements increased approximately \$361,000 due to the purchase of land for future park space.
- The Special Revenue, Road Use Tax Fund cash balance increased \$66,395 to \$108,555. Receipts increased 4.3% and disbursements decreased 29.3%, primarily due to fewer street repairs in the current year and the purchase of a street sweeper in the prior year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased less than 1%, or \$475. Receipts decreased due to fewer tax increment financing receipts. Disbursements remained constant.
- The Debt Service Fund cash balance increased \$1,370, or 4.2%, from June 30, 2013 to June 30, 2014.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$64,055 to \$180,902. Water Fund receipts increased \$35,990, or 9.6%, due to a water rate increase during fiscal year 2014. Disbursements increased \$149,190 or 46%, due to utility system maintenance, including the purchase of new hydrants and water meters.
- The Enterprise, Sewer Fund cash balance decreased \$758,296 to \$247,784. The decrease was primarily due to completion of the lift station project during the current year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments were approved on October 21, 2013 and May 19, 2014 and provided for the purchase of land for future park space and for police and fire department expenses.

The City’s receipts were \$54,614 more than budgeted.

Total disbursements were \$358,716 less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$3,739,076 of bonds and other long-term debt outstanding, compared to \$3,814,726 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2014	2013
General obligation bonds/note	\$ 2,843,365	2,635,000
Revenue bonds	630,000	673,000
Loan agreements	264,109	500,931
Lease-purchase agreements	1,602	5,795
Total	\$ 3,739,076	3,814,726

During the year, the City issued a \$400,000 property acquisition note to provide funds to purchase land for future park space.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,867,424 (\$3,109,076, less \$241,652 cash on hand in the Debt Service and the Special Revenue, Urban Renewal Tax Increment Funds) is below its constitutional debt limit of approximately \$9.3 million.

Additional information about the City's long-term debt is presented in Notes 3, 4 and 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2015. The property tax levy remained unchanged at \$12.04/thousand dollars of taxable value. It is important to note the City did not increase the property tax levy in the fiscal year 2015 budget for the fourth year in a row and this levy rate is lower than fiscal year 2009, when the property tax levy was \$12.14/thousand dollars of taxable value.

Amounts available for appropriation in the operating budget are \$3,692,013, an increase of 6.5% from the final fiscal year 2014 budget. Budgeted disbursements are \$4,092,580, an expected increase of 9%. The difference between appropriations and disbursements are accounted for in nine areas: 1) the Water Fund, 2) the Sewer Fund, 3) the Urban Renewal Tax Increment Fund, 4) the Library CD's, 5) the Employee Benefits Fund, 6) Interfund Loans, 7) the Cemetery Perpetual Care Fund, 8) the Krouth Fund and 9) the Debt Service Fund.

Fund balances are expected to increase slightly for the Krouth Perpetual Care Cemetery and Debt Service Funds. Fund balances were planned to be used from the Sewer, Water, Employee Benefit and Urban Renewal Tax Increment Funds, Library CD's and interfund loans. If these estimates are realized, the City's budgeted cash balance for all funds is expected to decrease 25% by the close of fiscal year 2015. This decrease would be driven primarily by interfund loans, library CD's, and the Water, Sewer, Urban Renewal Tax Increment and Employee Benefits Funds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of West Branch

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
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 556,440	41,927	231,044
Public works	480,201	50,269	234,360
Culture and recreation	925,633	54,252	34,446
Community and economic development	85,428	-	-
General government	198,704	56,057	-
Debt service	340,488	-	-
Total governmental activities	2,586,894	202,505	499,850
Business type activities:			
Water	473,901	409,846	-
Sewer	1,042,619	284,323	-
Total business type activities	1,516,520	694,169	-
Total Primary Government	\$ 4,103,414	896,674	499,850
Component Units:			
Friends of the West Branch Public Library	\$ 2,824	-	1,449
West Branch Firefighters	63,797	-	67,503
Total component units	\$ 66,621	-	68,952
General Receipts:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Note proceeds			
Miscellaneous			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year, as restated			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Krouth principal			
Expendable:			
Civic center			
Streets			
Employee benefits			
Fire			
Library			
Dog park			
Debt service			
Customer deposits			
Revolving loan program			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
Primary Government			Component Units	
Governmental Activities	Business Type Activities	Total	Friends of the West	West Branch Firefighters
(283,469)	-	(283,469)		
(195,572)	-	(195,572)		
(836,935)	-	(836,935)		
(85,428)	-	(85,428)		
(142,647)	-	(142,647)		
(340,488)	-	(340,488)		
<u>(1,884,539)</u>	<u>-</u>	<u>(1,884,539)</u>		
-	(64,055)	(64,055)		
-	(758,296)	(758,296)		
-	(822,351)	(822,351)		
<u>(1,884,539)</u>	<u>(822,351)</u>	<u>(2,706,890)</u>		
			(1,375)	-
			-	3,706
			<u>(1,375)</u>	<u>3,706</u>
1,317,897	-	1,317,897	-	-
241,483	-	241,483	-	-
36,912	-	36,912	-	-
147,596	-	147,596	-	-
3,958	-	3,958	681	5
400,000	-	400,000	-	-
74,842	-	74,842	-	-
<u>2,222,688</u>	<u>-</u>	<u>2,222,688</u>	<u>681</u>	<u>5</u>
338,149	(822,351)	(484,202)	(694)	3,711
1,492,521	1,251,037	2,743,558	54,243	20,693
<u>\$ 1,830,670</u>	<u>428,686</u>	<u>2,259,356</u>	<u>53,549</u>	<u>24,404</u>
\$ 105,178	-	105,178	-	-
50,852	-	50,852	-	-
11,982	-	11,982	-	-
108,555	-	108,555	53,549	-
43,470	-	43,470	-	24,404
208,838	-	208,838	-	-
83,288	-	83,288	-	-
11,444	-	11,444	-	-
241,652	6,765	248,417	-	-
-	7,700	7,700	-	-
129,816	-	129,816	-	-
835,595	414,221	1,249,816	-	-
<u>\$ 1,830,670</u>	<u>428,686</u>	<u>2,259,356</u>	<u>53,549</u>	<u>24,404</u>

City of West Branch

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

As of and for the year ended June 30, 2014

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 1,162,837	-	-
Tax increment financing	-	-	36,912
Other city tax	-	-	-
Licenses and permits	65,481	-	-
Use of money and property	5,966	-	-
Intergovernmental	162,498	231,861	-
Charges for service	97,863	-	-
Miscellaneous	191,551	-	-
Total receipts	1,686,196	231,861	36,912
Disbursements:			
Operating:			
Public safety	499,941	-	-
Public works	293,709	165,466	-
Culture and recreation	856,126	-	-
Community and economic development	48,041	-	37,387
General government	182,772	-	-
Debt service	-	-	-
Total disbursements	1,880,589	165,466	37,387
Excess (deficiency) of receipts over (under) disbursements	(194,393)	66,395	(475)
Other financing sources (uses):			
Note proceeds	400,000	-	-
Transfers in	48,942	-	-
Transfers out	-	-	-
Total other financing sources (uses)	448,942	-	-
Change in cash balances	254,549	66,395	(475)
Cash balances beginning of year, as restated	790,446	42,160	208,087
Cash balances end of year	\$ 1,044,995	108,555	207,612
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ -	-	-
Krouth principal	-	-	-
Restricted for:			
Civic center	11,982	-	-
Streets	-	108,555	-
Employee benefits	-	-	-
Fire	130,886	-	-
Library	66,532	-	-
Dog park	-	-	-
Debt service	-	-	207,612
Revolving loan program	-	-	-
Unassigned	835,595	-	-
Total cash basis fund balances	\$ 1,044,995	108,555	207,612

See notes to financial statements.

Debt Service	Nonmajor	Total
241,483	155,060	1,559,380
-	-	36,912
-	147,596	147,596
-	-	65,481
-	851	6,817
-	-	394,359
-	-	97,863
-	25,084	216,635
241,483	328,591	2,525,043
-	56,499	556,440
-	21,026	480,201
-	69,507	925,633
-	-	85,428
-	15,932	198,704
340,488	-	340,488
340,488	162,964	2,586,894
(99,005)	165,627	(61,851)
-	-	400,000
100,375	-	149,317
-	(149,317)	(149,317)
100,375	(149,317)	400,000
1,370	16,310	338,149
32,670	419,158	1,492,521
34,040	435,468	1,830,670
-	105,178	105,178
-	50,852	50,852
-	-	11,982
-	-	108,555
-	43,470	43,470
-	77,952	208,838
-	16,756	83,288
-	11,444	11,444
34,040	-	241,652
-	129,816	129,816
-	-	835,595
34,040	435,468	1,830,670

City of West Branch

City of West Branch

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

As of and for the year ended June 30, 2014

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 405,505	284,143	689,648
Miscellaneous	4,341	180	4,521
Total operating receipts	409,846	284,323	694,169
Operating disbursements:			
Business type activities	273,621	183,786	457,407
Excess of operating receipts over operating disbursements	136,225	100,537	236,762
Non-operating disbursements:			
Debt service	(97,065)	(87,225)	(184,290)
Capital outlay	(103,215)	(771,608)	(874,823)
Total non-operating disbursements	(200,280)	(858,833)	(1,059,113)
Change in cash balances	(64,055)	(758,296)	(822,351)
Cash balances beginning of year	244,957	1,006,080	1,251,037
Cash balances end of year	\$ 180,902	247,784	428,686
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ 6,765	-	6,765
Customer deposits	7,700	-	7,700
Unrestricted	166,437	247,784	414,221
Total cash basis fund balances	\$ 180,902	247,784	428,686

See notes to financial statements.

Exhibit D

City of West Branch
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Fiduciary Fund

As of and for the year ended June 30, 2014

	<u>Agency</u> <u>Flexible</u> <u>Benefits</u>
Additions:	
Employee contributions	\$ 5,108
Deductions:	
Medical reimbursements	<u>4,931</u>
Change in cash balance	177
Cash balance beginning of year	<u>361</u>
Cash balance end of year	<u>\$ 538</u>
See notes to financial statements.	

City of West Branch

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of West Branch has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

Discretely Presented Component Units

The Friends of the West Branch Public Library (Friends) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the general operation of the West Branch Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit which should be discretely presented.

The West Branch Firefighters (Firefighters) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Firefighters meet the definition of a component unit which should be discretely presented.

Blended Component Unit

West Branch Dog Park, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of supporting, promoting and preserving the West Branch dog park. In accordance with criteria set forth by the Governmental Accounting Standards Board, West Branch Dog Park, Inc. meets the definition of a component unit which should be blended.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cedar County Assessor's Conference Board, Cedar County Joint E911 Service Board and Cedar County Emergency Management Agency.

B. Basis of Presentation

Government-wide Financial Statement – The 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 revenues, 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 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. Enabling legislation did not result in any restricted net position.

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 Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

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.

Additionally, the City reports an Agency Fund which is used to account for assets held by the City as an agent for individual flexible benefit accounts.

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.

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.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions 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 and Note Payable

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

Year Ending June 30,	General								Total
	Obligation Bonds/Note				Water				
	Water Improvement		Property Acquisition		Revenue Bonds		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	\$ 155,000	41,740	35,767	10,901	45,000	18,900	235,767	71,541	307,308
2016	160,000	40,190	36,841	9,828	46,000	17,550	242,841	67,568	310,409
2017	165,000	38,590	37,946	8,723	47,000	16,170	249,946	63,483	313,429
2018	165,000	36,940	39,084	7,584	48,000	14,760	252,084	59,284	311,368
2019	165,000	35,290	40,257	6,411	50,000	13,320	255,257	55,021	310,278
2020-2024	885,000	143,040	173,470	13,203	273,000	43,230	1,331,470	199,473	1,530,943
2025-2029	515,000	72,125	-	-	121,000	5,460	636,000	77,585	713,585
2030-2032	270,000	16,500	-	-	-	-	270,000	16,500	286,500
Total	\$ 2,480,000	424,415	363,365	56,650	630,000	129,390	3,473,365	610,455	4,083,820

On March 5, 2013, the City issued \$2,730,000 of general obligation corporate purpose and refunding bonds to provide funds to pay the costs of constructing improvements to the municipal sanitary sewer, wastewater treatment and waterworks systems and to currently refund the outstanding balance of the City's 2005 general obligation bonds. The bonds bear interest at 2.07% per annum and mature on June 1, 2032. During fiscal year 2014, the City paid principal of \$155,000 and interest of \$43,290 on the bonds. The outstanding principal balance at June 30, 2014 was \$2,480,000.

On July 31, 2013 the City issued a \$400,000 general obligation property acquisition note to fund the purchase of land for future park space. The note bears interest at 3% per annum and matures on June 1, 2023. During fiscal year 2014, the City paid principal of \$36,635 and interest of \$10,033 on the note. The outstanding principal balance at June 30, 2014 was \$363,365.

On June 2, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$860,000 of water revenue bonds with an interest rate of 2.07% per annum. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2014, the City paid principal of \$39,000 and interest of \$18,450 on the bonds. The outstanding principal balance at June 30, 2014 was \$576,000.

On April 5, 2007, the City entered into an agreement with the Iowa Finance Authority and Wells Fargo Bank, N.A. for the issuance of \$83,000 of water revenue bonds with an interest rate of 3.0% per annum. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2014, the City paid principal of \$4,000 and interest of \$1,740 on the bonds. The outstanding principal balance at June 30, 2014 was \$54,000.

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

bonds are expected to require less than 47% of net receipts. The total principal and interest remaining to be paid on the two bond issues is \$759,390. For the current year, total principal and interest paid on the water revenue bonds was \$63,190 and total customer net receipts were \$136,225.

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

- (a) The bonds will only be redeemed from the future earnings of the Water Fund and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Water Fund for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the Water Fund after making the required transfers shall be placed in a water revenue surplus account. As long as the sinking account has the full amount required to be deposited, the balance in the surplus account may be made available to the City as the City Council may direct.
- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

(4) Loan Agreements

On August 5, 2008, the City entered into a loan agreement with a local bank, not to exceed \$197,500, to provide funds for a lawsuit settlement. The loan bears 4.50% per annum interest and is currently scheduled to be repaid in full in fiscal year 2020. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	4.50%	\$ 12,610	5,667	18,277
2016	4.50	14,892	3,501	18,393
2017	4.50	15,554	2,834	18,388
2018	4.50	16,262	2,131	18,393
2019	4.50	16,994	1,399	18,393
2020	4.50	14,102	635	14,737
Total		\$ 90,414	16,167	106,581

During the year ended June 30, 2014, the City paid principal of \$66,353, including an additional principal payment of \$55,000, and interest of \$7,040 on the loan.

On May 26, 2011, the City entered into a loan agreement with a local bank, not to exceed \$376,700, for the expansion of the fire station. The loan bears 3.25% per annum interest and matures on July 1, 2015. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	3.25%	\$ 98,617	1,758	100,375
2016	3.25	396	1	397
Total		\$ 99,013	1,759	100,772

During the year ended June 30, 2014, the City paid principal of \$95,382 and interest of \$4,993 on the loan.

On February 5, 2013, the City entered into an equipment note with a local bank for \$149,364 to provide funds to finance the acquisition of equipment for the street department. The note bears interest at 1.75% per annum and matures on June 1, 2015. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	1.75%	\$ 74,682	1,307	75,989

During the year ended June 30, 2014, the City paid principal of \$74,682 and interest of \$3,384 on the note.

(5) Lease-Purchase Agreement

The City has entered into an agreement to lease a copier under a capital lease. The following is a schedule of the future minimum lease payment, including interest of 13.93% per annum, and the present value of the net minimum lease payment under the agreement in effect at June 30, 2014:

Year ending June 30,	Amount
2015	\$ 1,676
Less amount representing interest	74
Present value of net minimum lease payments	<u>\$ 1,602</u>

During the year ended June 30, 2014, the City made principal payments of \$2,617 and interest payments of \$407 on the capital lease.

(6) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 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 \$61,639, \$55,475 and \$44,289, respectively, equal to the required contributions for each year.

(7) 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 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. 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 \$535 for single coverage and \$1,339 for family coverage. For the year ended June 30, 2014, the City contributed \$97,621 and plan members eligible for benefits contributed \$22,172 to the plan.

(8) Compensated Absences

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

Employees eligible for retirement will receive either one-half or one-quarter of their accumulated sick leave balance, dependent on the date they were hired. Two employees were eligible for sick leave benefits at June 30, 2014.

The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, was approximately \$75,000. This liability has been computed based on rates of pay in effect at June 30, 2014.

(9) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 47,593
	Permanent:	
	Krouth Principal	1,349
		<u>48,942</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	100,375
Total		<u>\$ 149,317</u>

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

(10) Interfund Loan

On May 5, 2014, the City approved a \$100,000 loan from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for administration and legal costs associated with planning, authorizing and carrying out an urban renewal project. The loan is interest free and will be repaid from incremental property tax receipts. The outstanding loan balance at June 30, 2014 was \$100,000.

(11) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$38,190.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of

whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in varying amounts. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Restatement/Reclassification

The July 1, 2013 cash basis net position of the governmental activities and the cash balance of the Special Revenue, Revolving Loan Fund have been restated to properly report the City's revolving loan fund activity administered by Main Street West Branch, Inc.

	Governmental Activities	Special Revenue, Revolving Loan Fund
Balances June 30, 2013, as previously reported	\$ 1,374,259	-
Previously unrecorded revolving loan fund	118,262	118,262
Balances July 1, 2013, as restated	<u>\$ 1,492,521</u>	<u>118,262</u>

(13) Revolving Loan Fund

In 2001, the City established a revolving loan fund (RLF) to provide loans to promote economic development within the City. The RLF was established with proceeds from an economic development set-aside grant. In June 2011, the City entered into an administrative agreement with Main Street West Branch, Inc. to administer the City's RLF. Pursuant to the agreement, the balance of set-aside grant funds held by the City was remitted to Main Street West Branch, Inc. to be maintained in accounts separate from other Main Street West Branch, Inc. activity. Main Street West Branch, Inc. reviews all loan applications, awards loans based on criteria established by the City and collects and records all loan repayments. The City retains ownership of these funds and, accordingly, activity of the RLF is included in the City's financial statements in the Special Revenue, Revolving Loan Fund. Active loans during the year had an outstanding balance of \$7,348 at June 30, 2014.

(14) Subsequent Event

In August, 2014, the City Council approved the purchase of a fire truck from Toyne Inc. for \$380,029. The cost of the fire truck will be paid from donations and other available City funds.

(15) 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 Branch
 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	Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 1,559,380		-	1,559,380
Tax increment financing	36,912		-	36,912
Other city tax	147,596		-	147,596
Licenses and permits	65,481		-	65,481
Use of money and property	6,817		-	6,817
Intergovernmental	394,359		-	394,359
Charges for service	97,863	689,648	-	787,511
Miscellaneous	216,635	4,521	12,766	208,390
Total receipts	<u>2,525,043</u>	<u>694,169</u>	<u>12,766</u>	<u>3,206,446</u>
Disbursements:				
Public safety	556,440	-	-	556,440
Public works	480,201	-	-	480,201
Culture and recreation	925,633	-	1,322	924,311
Community and economic development	85,428	-	-	85,428
General government	198,704	-	-	198,704
Debt service	340,488	-	-	340,488
Business type activities	-	1,516,520	-	1,516,520
Total disbursements	<u>2,586,894</u>	<u>1,516,520</u>	<u>1,322</u>	<u>4,102,092</u>
Excess (deficiency) of receipts over (under) disbursements	(61,851)	(822,351)	11,444	(895,646)
Other financing sources, net	400,000		-	400,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	338,149	(822,351)	11,444	(495,646)
Balances beginning of year, as restated	1,492,521	1,251,037	-	2,743,558
Balances end of year	<u>\$ 1,830,670</u>	<u>428,686</u>	<u>11,444</u>	<u>2,247,912</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
1,452,149	1,452,149	107,231
302,527	37,387	(475)
151,208	151,208	(3,612)
50,375	75,375	(9,894)
5,600	5,600	1,217
378,285	383,285	11,074
866,181	883,181	(95,670)
35,100	163,647	44,743
<u>3,241,425</u>	<u>3,151,832</u>	<u>54,614</u>
528,636	664,866	108,426
545,525	566,300	86,099
548,868	1,001,749	77,438
352,277	87,137	1,709
195,256	218,756	20,052
343,205	343,205	2,717
<u>1,241,833</u>	<u>1,578,795</u>	<u>62,275</u>
<u>3,755,600</u>	<u>4,460,808</u>	<u>358,716</u>
(514,175)	(1,308,976)	413,330
-	400,000	-
(514,175)	(908,976)	413,330
<u>1,297,751</u>	<u>2,626,570</u>	<u>116,988</u>
<u>783,576</u>	<u>1,717,594</u>	<u>530,318</u>

City of West Branch

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 Agency Fund and the 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 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, two budget amendments increased budgeted disbursements by \$705,208. The budget amendments are reflected in the final budgeted amounts.

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

Supplementary Information

City of West Branch

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

As of and for the year ended June 30, 2014

	Special Revenue				
	Employee Benefits	Local Option Sales Tax	West Branch Dog Park	Krouth	Revolving Loan
Receipts:					
Property tax	\$ 155,060	-	-	-	-
Other city tax	-	147,596	-	-	-
Use of money and property	-	-	-	79	317
Miscellaneous	-	-	12,766	-	11,237
Total receipts	155,060	147,596	12,766	79	11,554
Disbursements:					
Operating:					
Public safety	56,499	-	-	-	-
Public works	21,026	-	-	-	-
Culture and recreation	68,185	-	1,322	-	-
General government	15,932	-	-	-	-
Total disbursements	161,642	-	1,322	-	-
Excess (deficiency) of receipts over (under) disbursements	(6,582)	147,596	11,444	79	11,554
Other financing uses:					
Transfers out	-	(147,968)	-	-	-
Change in cash balances	(6,582)	(372)	11,444	79	-
Cash balances beginning of year, as restated	50,052	78,324	-	16,677	118,262
Cash balances end of year	\$ 43,470	77,952	11,444	16,756	118,262
Cash Basis Fund Balances					
Nonspendable:					
Cemetary perpetual care	\$ -	-	-	-	-
Krouth principal	-	-	-	-	-
Restricted for:					
Employee benefits	43,470	-	-	-	-
Fire	-	77,952	-	-	-
Dog park	-	-	11,444	-	-
Library	-	-	-	16,756	-
Revolving loan program	-	-	-	-	129,816
Total cash basis fund balances	\$ 43,470	77,952	11,444	16,756	129,816

See accompanying independent auditor's report.

Permanent			
Krouth Principal	Cemetery Perpetual Care		Total
-	-		155,060
-	-		147,596
455	-		851
-	1,081		25,084
455	1,081		328,591
-	-		56,499
-	-		21,026
-	-		69,507
-	-		15,932
-	-		162,964
455	1,081		165,627
(1,349)	-		(149,317)
(894)	1,081		16,310
51,746	104,097		419,158
50,852	105,178		435,468
-	105,178		105,178
50,852	-		50,852
-	-		43,470
-	-		77,952
-	-		11,444
-	-		16,756
-	-		129,816
50,852	105,178		435,468

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Corporate purpose and refunding bonds	Mar 5, 2013	2.07%	\$ 2,730,000
Property acquisition note	Jul 31, 2013	3.00	400,000
Total			
Revenue bonds:			
Water	Jun 2, 2005	* 3.00%	\$ 860,000
Water	Apr 5, 2007	* 3.00	83,000
Total			
Loan agreements:			
Lawsuit settlement	Aug 5, 2008	4.50%	\$ 197,500
Fire station	May 26, 2011	3.25	376,700
Equipment note	Feb 5, 2013	1.75	149,364
Total			
Lease-purchase agreements:			
Copier	Mar 6, 2009	11.70%	\$ 3,540
Fuel storage tanks	Aug 21, 2009	0.00	5,343
Lanier copier	Dec 15, 2010	13.93	9,300
Total			

* The City is required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,635,000	-	155,000	2,480,000	43,290
-	400,000	36,635	363,365	10,033
\$ 2,635,000	400,000	191,635	2,843,365	53,323
615,000	-	39,000	576,000	18,450
58,000	-	4,000	54,000	1,740
\$ 673,000	-	43,000	630,000	20,190
156,767	-	66,353	90,414	7,040
194,800	-	95,382	99,013	4,993
149,364	-	74,682	74,682	3,384
\$ 500,931	-	236,417	264,109	15,417
507	-	507	-	24
1,069	-	1,069	-	-
4,219	-	2,617	1,602	407
\$ 5,795	-	4,193	1,602	431

City of West Branch
Bond and Note Maturities
June 30, 2014

Year Ending June 30,	General Obligation Bonds/Note					Total
	Corporate Purpose and Refunding Bonds		Property Acquisition Note			
	Issued Mar 5, 2013		Issued Jul 31, 2013			
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2015	1.00%	\$ 155,000	3.00%	\$ 35,767	190,767	
2016	1.00	160,000	3.00	36,841	196,841	
2017	1.00	165,000	3.00	37,946	202,946	
2018	1.00	165,000	3.00	39,084	204,084	
2019	1.10	165,000	3.00	40,257	205,257	
2020	1.25	170,000	3.00	41,464	211,464	
2021	1.40	175,000	3.00	42,708	217,708	
2022	1.55	175,000	3.00	43,989	218,989	
2023	1.70	180,000	3.00	45,309	225,309	
2024	1.85	185,000		-	185,000	
2025	2.00	190,000		-	190,000	
2026	2.30	80,000		-	80,000	
2027	2.30	80,000		-	80,000	
2028	2.50	80,000		-	80,000	
2029	2.50	85,000		-	85,000	
2030	3.00	85,000		-	85,000	
2031	3.00	90,000		-	90,000	
2032	3.00	95,000		-	95,000	
Total		<u>\$ 2,480,000</u>		<u>\$ 363,365</u>	<u>\$ 2,843,365</u>	

See accompanying independent auditor's report

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

	2014	2013	2012	2011	2010
Receipts:					
Property tax	\$ 1,559,380	1,329,716	1,157,867	1,035,262	1,053,701
Tax increment financing	36,912	97,387	374,400	963,646	656,110
Other city tax	147,596	166,392	112,030	-	27,102
Licenses and permits	65,481	60,216	47,563	51,699	28,952
Use of money and property	6,817	7,083	10,027	14,338	18,138
Intergovernmental	394,359	381,215	427,391	357,947	543,714
Charges for service	97,863	83,971	71,122	68,253	81,074
Miscellaneous	216,635	153,030	178,850	97,210	113,503
Total	\$ 2,525,043	2,279,010	2,379,250	2,588,355	2,522,294
Disbursements:					
Operating:					
Public safety	\$ 556,440	495,520	461,258	553,784	761,338
Public works	480,201	706,656	573,811	427,260	425,684
Culture and recreation	925,633	457,409	499,060	397,686	357,108
Community and economic development	85,428	21,250	484,467	971,569	682,578
General government	198,704	221,738	252,766	183,459	198,461
Debt service	340,488	1,650,192	210,283	125,157	125,628
Capital projects	-	-	252,978	128,745	-
Total	\$ 2,586,894	3,552,765	2,734,623	2,787,660	2,550,797

See accompanying independent auditor's report.

2009	2008	2007	2006	2005
951,189	826,020	829,292	638,204	597,246
671,841	529,777	530,449	600,430	534,506
30,656	57,272	24,446	94,710	132,729
38,155	37,783	152,068	22,731	19,569
22,468	56,450	57,214	36,688	13,843
601,917	3,468,113	315,187	297,628	294,124
62,696	54,345	51,555	48,531	56,434
142,451	441,900	180,807	241,825	301,381
<u>2,521,373</u>	<u>5,471,660</u>	<u>2,141,018</u>	<u>1,980,747</u>	<u>1,949,832</u>
568,777	450,250	450,128	761,810	340,295
598,898	1,189,970	947,954	311,379	348,924
343,912	266,101	268,101	216,177	199,374
666,570	2,509,495	9,790	10,215	12,271
354,240	183,185	193,989	157,507	162,454
125,000	654,723	655,999	699,851	851,535
-	146,273	133,368	-	-
<u>2,657,397</u>	<u>5,399,997</u>	<u>2,659,329</u>	<u>2,156,939</u>	<u>1,914,853</u>

City of West Branch



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Mary Mosiman, CPA
Auditor of State

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 12, 2015. 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 Branch'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 Branch's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Branch'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, we identified deficiencies in internal control we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

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 Branch's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (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 deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Branch's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matter which is 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, 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 Branch's Responses to the Findings

The City of West Branch's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of West Branch'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 Branch during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 12, 2015

City of West Branch

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. For the City, one individual has control over collecting receipts, depositing, journalizing, posting and reconciling. Although the City prepares monthly bank reconciliations, there is no evidence the reconciliations are reviewed by an independent person. One individual initiates and posts journal entries with no independent review and payroll journals are not reviewed and approved by an independent person.

For the West Branch Firefighters, the Friends of the West Branch Public Library and the West Branch Dog Park, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the West Branch Firefighters, the Friends of the West Branch Public Library and the West Branch Dog Park should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and elected officials. Monthly bank reconciliations, journal entries and the payroll journal should be reviewed and approved by an independent person. The reviews should be documented by the signature or initials of the independent reviewer and the date of the review.

Responses –

City – City staff agree with this finding and will work to implement suggestions contained within the recommendation.

West Branch Firefighters - City staff and the West Branch Firefighters agree with this finding and will work to implement suggestions contained within the recommendation.

Friends of the West Branch Public Library - City staff and the Friends of the West Branch Public Library agree with this finding and will work to implement suggestions contained within the recommendation.

West Branch Dog Park – City staff and the West Branch Dog Park agree with this finding and will work to implement suggestions contained within the recommendation.

Conclusions – Responses accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2014

- (B) Financial Reporting – During the audit, we identified a material amount of City funds which were held by an outside organization to administer the City’s revolving loan fund program not properly reported in the City’s financial records. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all City funds are accounted for in the City’s records.

Response – This finding relates to Main Street West Branch administering revolving loan funds for the City of West Branch. The Revolving Loan Fund agreement with Main Street West Branch was approved by the West Branch City Council on June 20, 2011 (Resolution 946). This finding does not question the fact that Main Street is administering the City’s revolving loan fund program. Rather the finding suggests the funding agreement be amended to include two additional items: 1) A requirement that Main Street West Branch only invest the funds in accordance with Chapter 12B.10(5) of the Code of Iowa, and 2) A requirement that Main Street West Branch provide a periodic (monthly) accounting of the receipts/disbursements for the program so the City can record the financial information and ensure the funds are spent/used as intended by the agreement. City staff agree to work with the West Branch City Council and representatives of Main Street West Branch to amend the Revolving Loan Fund agreement to include the two aforementioned requirements..

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – The City did not reconcile utility billings, collections and delinquent accounts for nine months of the fiscal year. In addition, variances on reconciliations prepared were not resolved timely.

Recommendation – Procedures should be established to ensure utility reconciliations are prepared and variances identified are resolved timely.

Response – City staff agree with this finding and will work to implement suggestions contained within the recommendation.

Conclusion – Response accepted.

- (D) Disaster Recovery Plan – While the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically, the plan does not include identification of critical applications, an inventory of all hardware and components, an inventory of all essential software systems, a requirement supplies and relevant accounting manuals and other documentation be located offsite and a requirement to test the plan.

Recommendation – The City should review its current disaster recovery plan and include the above noted items in its written disaster recovery plan.

Response – City staff agree with this finding and will work to implement suggestions contained within the recommendation.

Conclusion – Response accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2014

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Branch
Schedule of Findings
Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- (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 – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City 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) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.
- (10) Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Special Revenue, Urban Renewal Tax Increment and the Enterprise, Water and Sewer Funds. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund".

Recommendation – The City should transfer from the Special Revenue, Urban Renewal Tax Increment and the Enterprise, Water and Sewer Funds for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

Response – City staff agree with this finding and will work to implement suggestions contained within the recommendation.

Conclusion – Response accepted.

City of West Branch

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Benjamin P. James, CPA, Staff Auditor
Zack D. Kubik, CPA, Assistant Auditor
Paige A. Snyder, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State