

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

July 2, 2015

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515/281-5834

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

The City's receipts totaled \$11,863,711 for the year ended June 30, 2014, a 6% increase over the prior year. The receipts included \$1,133,742 in property tax, \$130,999 from tax increment financing, \$8,206,489 from charges for service, \$647,875 from operating grants, contributions and restricted interest, \$407,512 from local option sales tax, \$26,841 from unrestricted interest on investments, \$1,277,828 from note proceeds and \$32,425 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$11,683,516, a 4% increase over the prior year, and included \$900,951 for capital projects, \$851,239 for public safety and \$719,332 for culture and recreation. Also, disbursements for business type activities totaled \$8,500,337.

The significant increase in receipts and disbursements is due primarily to the Library improvement project.

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/1420-0656-B00F.pdf>.

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

JUNE 30, 2014

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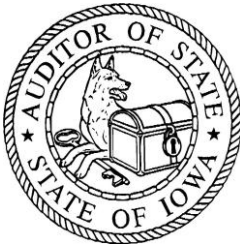
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City of West Liberty

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Chad Thomas	Mayor	Jan 2014
Robert Hartman	Mayor Pro tem	Jan 2014
Melody Russell	Council Member	Jan 2014
Jose Zacarias	Council Member	Jan 2014
Ethan Anderson	Council Member	Jan 2016
William Cline	Council Member	Jan 2016
Lawrence McNaul	City Manager	Indefinite
Melissa Carter	City Clerk	Indefinite
Lee Geertz	Treasurer	Indefinite
(After January 2014)		
Robert Hartman	Mayor	Jan 2016
Melody Russell	Mayor Pro tem	Jan 2018
Ethan Anderson	Council Member	Jan 2016
William Cline	Council Member	Jan 2016
Felicie Simmons	Council Member	Jan 2018
Jose Zacarias	Council Member	Jan 2018
Lawrence McNaul	City Manager	Indefinite
Melissa Carter	City Clerk	Indefinite
Lee Geertz	Treasurer	Indefinite

City of West Liberty



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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 Liberty, 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 Liberty 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.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, the City elected to change from the accrual basis of accounting to the cash basis of accounting for the fiscal year ended June 30, 2014. Our opinion is 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 Liberty's basic financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the nine years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared in accordance with U.S. generally accepted accounting principles. 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 34 through 36, 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 March 31, 2015 on our consideration of the City of West Liberty'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 Liberty's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Liberty 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 25.5%, or approximately \$899,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$63,000 and note proceeds decreased \$1,349,000.
- Disbursements of the City's governmental activities increased 13.9%, or approximately \$388,000, in fiscal year 2014 over fiscal year 2013. Capital projects disbursements increased approximately \$558,000 while culture and recreation disbursements decreased approximately \$100,000.
- The City's total cash basis net position increased 4.7%, or approximately \$180,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$401,000 and the cash basis net position of the business type activities increased approximately \$581,000.
- During fiscal year 2014, the City elected to report on the cash basis of accounting. Fiscal year 2013 balances have been restated unless otherwise noted.

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

As noted in the financial highlights above, the City elected to report on the cash basis of accounting for fiscal year 2014. 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, 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, the sanitary sewer system, the electric system and solid waste activities. 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 Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The 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 and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Electric and Solid Waste Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

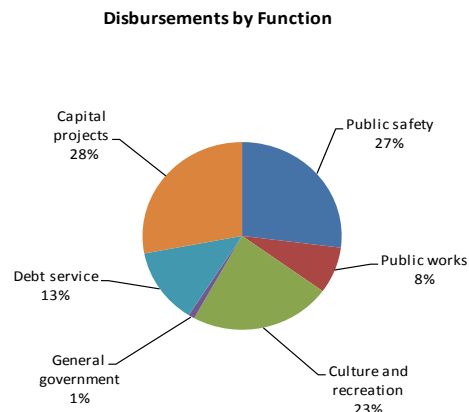
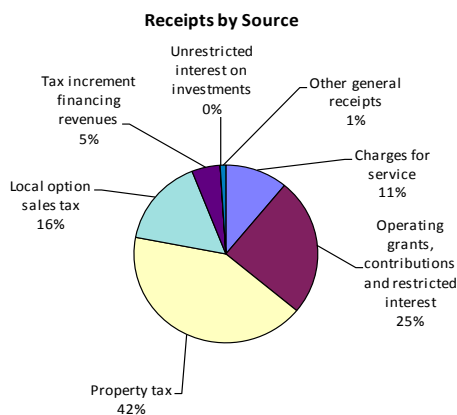
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1,265,000 to approximately \$864,000. 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 Restated*
Receipts:		
Program receipts:		
Charges for service	\$ 284	48
Operating grants, contributions and restricted interest	648	496
General receipts:		
Property tax	1,134	1,071
Local option sales tax	408	384
Tax increment financing	131	131
Unrestricted interest on investments	4	4
Note proceeds	-	1,349
Other general receipts	24	49
Total receipts	2,633	3,532
Disbursements:		
Public safety	851	885
Public works	266	246
Culture and recreation	719	819
General government	40	84
Debt service	406	418
Capital projects	901	343
Total disbursements	3,183	2,795
Change in cash basis net position before transfers	(550)	737
Transfers, net	149	103
Change in cash basis net position	(401)	840
Cash basis net position beginning of year, as restated	1,265	425
Cash basis net position end of year	\$ 864	1,265

* The City elected to report on the cash basis of accounting for fiscal year 2014.

Accordingly, fiscal year 2013 amounts were restated to the cash basis of accounting.



The City's total receipts for governmental activities decreased 25.5%, or approximately \$899,000. The total cost of all programs and services increased approximately \$388,000, or 13.9%, with no new programs added this year. The significant decrease in receipts was primarily the result of proceeds received from the issuance of notes in fiscal year 2013 while there were no debt issuances in fiscal year 2014. The increase in disbursements was due primarily to the Library improvement project.

The City increased property tax rates for fiscal year 2014 an average of 1%. This increase raised the City's property tax receipts approximately \$63,000 in fiscal year 2014. Based on increases in the total assessed valuation of approximately 4.5%, property tax receipts are budgeted to increase an additional \$105,000 next year.

The cost of all governmental activities this year was approximately \$3.183 million compared to approximately \$2.795 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 \$2.251 million because some of the cost was paid by those directly benefited from the programs (approximately \$284,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$648,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$544,000 to approximately \$932,000, primarily due to receiving grant proceeds for the construction of a new ambulance bay.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013 Restated *
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 684	660
Sewer	2,200	2,462
Electric	4,647	4,171
Solid waste	391	316
General receipts:		
Unrestricted interest on investments	22	30
Note proceeds	1,278	-
Other general receipts	8	37
Total receipts	9,230	7,676
Disbursements:		
Water	1,598	478
Sewer	2,106	2,193
Electric	4,480	5,324
Solid waste	316	470
Total disbursements	8,500	8,465
Change in cash basis net position before transfers	730	(789)
Transfers, net	(149)	(103)
Change in cash basis net position	581	(892)
Cash basis net position beginning of year, as restated	2,606	3,498
Cash basis net position end of year	\$ 3,187	2,606

* The City elected to report on the cash basis of accounting for fiscal year 2014.

Accordingly, fiscal year 2013 amounts were restated to the cash basis of accounting.

Total business type activities receipts for the fiscal year were approximately \$9.230 million compared to approximately \$7.676 million last year. This significant increase was due primarily to the receipt of \$1,278,000 of water revenue capital loan note proceeds. Total disbursements for the fiscal year increased .4%, or approximately \$35,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Liberty completed the year, its governmental funds reported a combined fund balance of \$724,498, a decrease of approximately \$414,000 from last year's total of \$1,138,169. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$291,837 over the prior year to \$647,272. The increase is primarily due to increased property tax and local option sales tax receipts. Disbursements decreased due to a reduction in personnel, disbursements for street improvements previously paid from the General Fund being paid from the Special Revenue, Road Use Tax Fund and reduced equipment purchases.
- The Special Revenue, Road Use Tax Fund cash balance increased approximately \$118,000. Disbursements increased in fiscal year 2014 due, in part, to paying for street improvement disbursements which were paid from the General Fund in prior years. In addition, the City reclassified one employee from the Enterprise, Solid Waste Fund to the Special Revenue, Road Use Tax Fund and paid approximately \$25,000 to an employee who retired during fiscal year 2014.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased approximately \$3,400 as a result of a slight increase in tax increment financing receipts.
- The Debt Service Fund cash balance increased approximately \$33,000 as a result of an increase in transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund and a decrease in property tax receipts of approximately \$32,000.
- The Capital Projects Fund cash balance decreased \$833,222. The decrease was attributable to approximately \$901,000 of capital projects disbursements, primarily for the Library improvement project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$318,659 to \$463,843, due primarily to the receipt of note proceeds in fiscal year 2014.
- The Enterprise, Sewer Fund cash balance increased \$32,002, or 2.6%. Charges for service decreased approximately \$347,000, due primarily to improvements made by commercial customers to reduce usage. Disbursements decreased approximately \$653,000, due primarily to the payment of sewer system improvements in fiscal year 2013 which did not occur in fiscal year 2014.
- The Enterprise, Electric Fund cash balance increased \$144,875 to \$1,305,998, due primarily to a rate change in fiscal year 2014.
- The Enterprise, Solid Waste Fund cash balance increased \$73,073 to \$24,634, due primarily to a change in the rate charged per dumpster. The City began charging customers based on the size of the dumpster instead of one rate for all dumpsters.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 20, 2014 and resulted in an increase in budgeted operating disbursements of \$2,635,522, primarily for capital project disbursements for the water treatment plant and waste water treatment plant. In addition, the budget was increased for the Library improvement project and other City services.

The City's receipts were \$282,820 less than budgeted. This was primarily due to the City receiving less in sewer and water charges for service than anticipated.

Total disbursements were \$1,737,168 less than the amended budget. Actual disbursements for the business type activities function was less than the amended budget due to delays in capital improvements.

The City exceeded the amount budgeted in the capital projects function prior to the budget amendment for the year ended June 30, 2014.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$9,355,000 of capital loan notes payable outstanding, compared to \$8,965,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2014	2013
General obligation capital loan notes	\$ 3,150,000	3,435,000
Revenue capital loan notes	6,205,000	5,530,000
Total	\$ 9,355,000	8,965,000

Debt increased as a result of issuing revenue capital loan notes for water system improvements.

The City carried a general obligation bond rating of A- assigned by Standard and Poor's. 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 \$3,150,000 is significantly below its constitutional debt limit of approximately \$6.8 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of West Liberty'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 now stands at 3.8% versus 4.8% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$11.3 million, a decrease from the final fiscal year 2014 budget. Budgeted disbursements are expected to decrease due to decreases in health care costs, street construction and staffing due to retirements. 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 increase approximately \$200,000 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 Lawrence McNaul, City Manager, 409 N. Calhoun Street, West Liberty, Iowa 52776.

Basic Financial Statements

City of West Liberty

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:			
Governmental activities:			
Public safety	\$ 851,239	208,614	176,974
Public works	265,773	27,989	438,656
Culture and recreation	719,332	40,724	32,245
General government	39,455	7,119	-
Debt service	406,429	-	-
Capital projects	900,951	-	-
Total governmental activities	<u>3,183,179</u>	<u>284,446</u>	<u>647,875</u>
Business type activities:			
Water	1,598,073	684,229	-
Sewer	2,106,338	2,200,367	-
Electric	4,480,206	4,646,735	-
Solid waste	315,720	390,712	-
Total business type activities	<u>8,500,337</u>	<u>7,922,043</u>	<u>-</u>
Total	<u>\$ 11,683,516</u>	<u>8,206,489</u>	<u>647,875</u>

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
Revenue capital loan note proceeds, net of discount of \$22,172
Miscellaneous
Transfers

Total general receipts and transfers

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 for perpetual care

 Restricted for:

 Streets

 Urban renewal purposes

 Debt service

 Capital improvements

 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
(465,651)	-	(465,651)
200,872	-	200,872
(646,363)	-	(646,363)
(32,336)	-	(32,336)
(406,429)	-	(406,429)
(900,951)	-	(900,951)
(2,250,858)	-	(2,250,858)
-	(913,844)	(913,844)
-	94,029	94,029
-	166,529	166,529
-	74,992	74,992
-	(578,294)	(578,294)
(2,250,858)	(578,294)	(2,829,152)
1,054,938	-	1,054,938
78,804	-	78,804
130,999	-	130,999
407,512	-	407,512
4,135	22,706	26,841
-	1,277,828	1,277,828
23,989	8,436	32,425
149,390	(149,390)	-
1,849,767	1,159,580	3,009,347
(401,091)	581,286	180,195
1,265,471	2,606,159	3,871,630
\$ 864,380	3,187,445	4,051,825
\$ 67,981	-	67,981
496,581	-	496,581
8,929	-	8,929
151,095	937,392	1,088,487
-	830,108	830,108
56,942	-	56,942
82,852	1,419,945	1,502,797
\$ 864,380	3,187,445	4,051,825

City of West Liberty

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	\$ 728,634	-	-
Tax increment financing	-	-	130,999
Other city tax	271,675	-	-
Licenses and permits	41,065	-	-
Use of money and property	7,570	-	12
Intergovernmental	128,124	373,054	-
Charges for service	199,376	-	-
Miscellaneous	201,731	3,901	-
Total receipts	1,578,175	376,955	131,011
Disbursements:			
Operating:			
Public safety	856,412	-	-
Public works	15,190	250,908	-
Culture and recreation	690,760	-	-
General government	43,127	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,605,489	250,908	-
Excess (deficiency) of receipts over (under) disbursements	(27,314)	126,047	131,011
Other financing sources (uses):			
Sale of property	25	-	-
Transfers in	356,751	-	-
Transfers out	(37,625)	(7,927)	(127,629)
Total other financing sources (uses)	319,151	(7,927)	(127,629)
Change in cash balances	291,837	118,120	3,382
Cash balances beginning of year, as restated	355,435	378,461	5,547
Cash balances end of year	\$ 647,272	496,581	8,929
Cash Basis Fund Balances			
Nonspendable for perpetual care	\$ -	-	-
Restricted for:			
Streets	-	496,581	-
Urban renewal purposes	-	-	8,929
Debt service	-	-	-
Other purposes	-	-	-
Assigned:			
Fire station	451,695	-	-
Ambulance	291,647	-	-
Unassigned	(96,070)	-	-
Total cash basis fund balances	\$ 647,272	496,581	8,929

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
78,804	-	326,304	1,133,742
-	-	-	130,999
-	135,837	-	407,512
-	-	-	41,065
399	-	123	8,104
-	-	-	501,178
-	-	-	199,376
-	-	5,065	210,697
<u>79,203</u>	<u>135,837</u>	<u>331,492</u>	<u>2,632,673</u>
-	-	-	856,412
-	-	-	266,098
-	-	31,982	722,742
-	-	-	43,127
406,429	-	-	406,429
-	900,951	-	900,951
<u>406,429</u>	<u>900,951</u>	<u>31,982</u>	<u>3,195,759</u>
<u>(327,226)</u>	<u>(765,114)</u>	<u>299,510</u>	<u>(563,086)</u>
-	-	-	25
360,232	-	-	716,983
-	(68,108)	(326,304)	(567,593)
<u>360,232</u>	<u>(68,108)</u>	<u>(326,304)</u>	<u>149,415</u>
33,006	(833,222)	(26,794)	(413,671)
<u>118,089</u>	<u>222,876</u>	<u>57,761</u>	<u>1,138,169</u>
<u>151,095</u>	<u>(610,346)</u>	<u>30,967</u>	<u>724,498</u>
-	-	67,981	67,981
-	-	-	496,581
-	-	-	8,929
151,095	-	-	151,095
-	-	56,942	56,942
-	-	-	451,695
-	-	-	291,647
-	(610,346)	(93,956)	(800,372)
<u>151,095</u>	<u>(610,346)</u>	<u>30,967</u>	<u>724,498</u>

City of West Liberty

City of West Liberty

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Governmental Funds

Year ended June 30, 2014

Total governmental funds cash balances (page 17) \$ 724,498

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

139,882

Cash basis net position of governmental activities (page 15) \$ 864,380

Change in cash balances (page 17) \$ (413,671)

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

12,580

Change in cash basis net position of governmental activities (page 15) \$ (401,091)

See notes to financial statements.

Exhibit D

City of West Liberty

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

As of and for the year ended June 30, 2014

	Enterprise					Internal
	Water	Sewer	Electric	Solid Waste	Total	Service Employee Health
Operating receipts:						
Charges for service	\$ 684,229	2,200,367	4,646,649	390,712	7,921,957	-
Miscellaneous	945	7,481	96	-	8,522	89,756
Total operating receipts	685,174	2,207,848	4,646,745	390,712	7,930,479	89,756
Operating disbursements:						
Governmental activities:						
General government	-	-	-	-	-	74,428
Business type activities	433,766	1,496,077	3,960,886	282,615	6,173,344	-
Total operating disbursements	433,766	1,496,077	3,960,886	282,615	6,173,344	74,428
Excess of operating receipts over operating disbursements	251,408	711,771	685,859	108,097	1,757,135	15,328
Non-operating receipts (disbursements):						
Interest on investments	2,586	3,723	16,245	152	22,706	670
Miscellaneous	-	-	-	-	-	9,260
Revenue capital loan note proceeds	1,277,828	-	-	-	1,277,828	-
Debt service	(93,871)	(380,172)	(443,221)	-	(917,264)	-
Capital projects	(1,071,145)	(232,524)	(83,561)	(35,176)	(1,422,406)	-
Net non-operating receipts (disbursements)	115,398	(608,973)	(510,537)	(35,024)	(1,039,136)	9,930
Transfers out	(48,147)	(70,796)	(30,447)	-	(149,390)	-
Change in cash balances	318,659	32,002	144,875	73,073	568,609	25,258
Cash balances beginning of year, as restated	145,184	1,219,992	1,161,123	(48,439)	2,477,860	255,600
Cash balances end of year	\$ 463,843	1,251,994	1,305,998	24,634	3,046,469	280,858
Cash Basis Fund Balances						
Restricted for:						
Debt service	\$ 94,963	560,929	281,500	-	937,392	-
Capital improvements	100,000	150,000	580,108	-	830,108	-
Unrestricted	268,880	541,065	444,390	24,634	1,278,969	280,858
Total cash basis fund balances	\$ 463,843	1,251,994	1,305,998	24,634	3,046,469	280,858

See notes to financial statements.

City of West Liberty

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Proprietary Funds

Year ended June 30, 2014

Total Enterprise Funds cash balances (page 20) \$ 3,046,469

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

140,976

Cash basis net position of business type activities (page 15) \$ 3,187,445

Change in Enterprise Funds cash balances (page 20) \$ 568,609

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

12,677

Change in cash basis net position of business type activities (page 15) \$ 581,286

See notes to financial statements.

City of West Liberty

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of West Liberty is a political subdivision of the State of Iowa located in Muscatine County. It was first incorporated in 1868 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, sewer, electric and solid waste disposal utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of West Liberty has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

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 to be maintained permanently by the City, including the City's Permanent Fund.

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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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 sanitary sewer system.

The Enterprise, Electric Fund accounts for the operations and maintenance of the City's electric system.

The Enterprise, Solid Waste Fund accounts for the operation and maintenance of the City's solid waste disposal program.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

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 positions 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 intends to 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.

(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 ensure 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) Capital Loan Notes Payable

Annual debt service requirements to maturity for general obligation and revenue capital loan notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Water Revenue Capital Loan Notes		Sewer Revenue Capital Loan Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 385,000	103,328	50,000	41,212	160,000	217,858
2016	390,000	92,247	50,000	40,962	165,000	209,058
2017	265,000	80,353	50,000	40,213	175,000	199,570
2018	170,000	71,593	55,000	39,463	185,000	189,070
2019	170,000	66,620	55,000	38,638	195,000	177,785
2020-2024	960,000	247,732	285,000	171,163	1,190,000	685,305
2025-2029	540,000	117,505	345,000	117,350	1,270,000	229,470
2030-2033	270,000	20,407	330,000	38,062	-	-
Total	\$ 3,150,000	799,785	1,220,000	527,063	3,340,000	1,908,116

Year Ending June 30,	Electric Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest
2015	\$ 400,000	34,770	995,000	397,168
2016	405,000	26,715	1,010,000	368,982
2017	420,000	17,010	910,000	337,146
2018	420,000	5,880	830,000	306,006
2019	-	-	420,000	283,043
2020-2024	-	-	2,435,000	1,104,200
2025-2029	-	-	2,155,000	464,325
2030-2033	-	-	600,000	58,469
Total	\$ 1,645,000	84,375	9,355,000	3,319,339

The Code of Iowa requires principal and interest on general obligation notes be paid from the Debt Service Fund. However, \$17,386 of general obligation capital loan note principal was paid from the General Fund during the year ended June 30, 2014.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,300,000 of water revenue capital loan notes issued in February 2014. Proceeds from the notes provided financing for improvements and extensions to the Municipal Water Utility, including constructing an addition to the water plant and the acquisition, construction and installation of an iron removal filter and aerator. The notes are payable solely from water customer net receipts and are payable through 2033. Annual principal and interest payments on the notes required less than 38% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,747,063. For the current year, principal and interest paid and total customer net receipts were \$93,871 and \$251,408, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,100,000 of sewer revenue capital loan notes issued in November 2008. Proceeds from the notes provided financing for improvement and extension of the sewer system and to pay costs of refunding project notes and sewer revenue capital loan notes. The notes are payable solely from sewer customer net receipts and are payable through 2028. Annual principal and interest payments on the notes required less than 53% of net receipts. The total principal and interest remaining to be paid on the notes is \$5,248,116. For the current year, principal and interest paid and total customer net receipts were \$375,733 and \$711,771, respectively.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$2,815,000 of electric revenue capital loan notes issued in May 2011. Proceeds from the notes provided funds to pay costs of refunding electric revenue capital loan notes, series 2002. The notes are payable solely from electric customer net receipts and are payable through 2018. Annual principal and interest payments on the notes required less than 64% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,729,375. For the current year, principal and interest paid and total customer net receipts were \$436,135 and \$685,859, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) User rates for the Municipal Water Utility 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 notes falling due in the same year. User rates for the electric system shall be established at a level which produces and maintains net receipts at a level not less than 110% of the principal and interest on the notes falling due in the same year.
- (c) Sufficient monthly transfers shall be made to separate water, sewer and electric revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (d) Additional monthly transfers shall be made to separate water, sewer and electric reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying principal and interest if insufficient funds are available in the sinking fund.

At June 30, 2014, the City has not established the required sinking and reserve accounts for the water revenue capital loan notes.

(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 \$134,025, \$142,806 and \$128,716, 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 28 active and 3 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 Group Services. Retirees under age 65 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 \$400 for single coverage and \$1,189 for family coverage. For the year ended June 30, 2014, the City contributed \$222,966 and plan members eligible for benefits contributed \$32,874 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, 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 sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 47,000
Sick leave	<u>38,000</u>
Total	<u>\$ 85,000</u>

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

(7) Wastewater Treatment Plant Agreement

On July 1, 2009, the City entered into an agreement with CH2M Hill OMI to operate, maintain and monitor the Wastewater Treatment Plant. The agreement is for a ten year initial term and will be automatically renewed for successive terms of ten years unless cancelled by either party. The base fee for the contract is negotiated annually. The amount paid for the fiscal year ended June 30, 2014 was \$927,168.

(8) 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:	
	Employee Benefits	\$ 326,304
	Enterprise:	
	Electric	30,447
		<u>356,751</u>
Debt Service	General	37,625
	Special Revenue:	
	Tax Increment Financing	127,629
	Road Use Tax	7,927
	Capital Projects	68,108
	Enterprise:	
	Water	48,147
		<u>70,796</u>
		<u>360,232</u>
Total		<u>\$ 716,983</u>

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

(9) 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.

(10) Deficit Balances

The Capital Projects Fund and the Special Revenue, Dutton Complex Trust Fund had deficit balances of \$610,346 and \$93,956, respectively, at June 30, 2014. The deficit balances were a result of project costs incurred prior to the availability of funds. The City is working to eliminate the deficit balances.

(11) Construction Commitments

During the year ended June 30, 2014, the City entered into construction contracts totaling \$1,246,643 for water treatment plant and water main improvements. Unpaid contract commitments at June 30, 2014 totaled \$213,625 and will be paid as work on the projects progress. The projects are funded through water revenue notes.

(12) Urban Renewal Project Rebates

The City has entered into tax increment financing rebate agreements. The City has agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. 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 years determined by each agreement, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The agreements end by fiscal year 2016. The total amount that will be rebated in any fiscal year for the tax increment financing agreements is based on the assessed value of the land and buildings less the frozen property values times the property tax values for the City, Muscatine County and the West Liberty Community School District, less the portion attributable to debt service for that year. For the year ended June 30, 2014, the City paid \$127,629 from the Special Revenue, Urban Renewal Tax Increment Fund. The City has made total rebate payments of \$926,529 on these agreements as of June 30, 2014. The estimated outstanding principal balance of the rebate agreements as of June 30, 2014 is approximately \$243,000.

(13) Restatement of Prior Year Balances

Effective July 1, 2013, the City elected to change its method of accounting from the accrual basis of accounting to the cash basis of accounting. As a result, the beginning net position for governmental activities and business type activities and the beginning fund balances for all funds were restated to report the beginning cash balances. The beginning cash balance for the Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Cash Balances was also restated as shown below. The restated beginning balances for governmental activities and the governmental funds are as follows:

	Special Revenue Funds							
	Governmental Activities	General Fund	Urban			Debt Service Fund	Capital Projects Fund	Capital Projects - Dutton
Road Use Tax			Renewal Tax Increment	Dutton Complex Trust				
Balances June 30, 2013, as previously reported	\$ 8,181,476	1,716,733	421,854	5,547	-	121,970	(636,458)	(93,956)
Reclassify funds previously reported in an incorrect fund type:					-			
Library Improvement to Capital Projects	-	(862,253)	-	-	-	-	862,253	-
Insurance Reserve to Internal Service	-	(255,782)	-	-	-	-	-	-
Dutton Complex Trust to Special Revenue	-	-	-	-	(93,956)	-	-	93,956
Adjustments to convert from accrual to cash:								
Receivables and prepaid expenditures	(175,054)	(124,875)	(46,293)	-	-	(3,883)	-	-
Capital assets, net of accumulated depreciation	(10,492,590)	-	-	-	-	-	-	-
Payables	94,553	85,989	3,672	-	-	-	-	-
Capital loan notes payable	3,409,511	-	-	-	-	-	-	-
Other long term liabilities	266,659	-	-	-	-	-	-	-
Miscellaneous adjustments, reclassifications and error corrections	(19,084)	(204,377)	(772)	-	-	2	(2,919)	-
Balances July 1, 2013, as restated	\$ 1,265,471	355,435	378,461	5,547	(93,956)	118,089	222,876	-

The restated beginning balances for business type activities and the proprietary funds are as follows:

	Business Type Activities	Enterprise Funds			Solid Waste	Internal Service Fund
		Water	Sewer	Electric		
Balances June 30, 2013, as previously reported	\$ 14,627,409	1,812,266	6,162,837	6,841,859	(189,553)	-
Reclassify funds previously reported in an incorrect fund type:						
Insurance Reserve to Internal Service	-	-	-	-	-	255,782
Adjustments to convert from accrual to cash:						
Receivables and prepaid expenses	(1,379,712)	(122,367)	(316,749)	(879,548)	(61,048)	-
Inventories	(201,024)	(42,470)	(819)	(157,735)	-	-
Capital assets, net of accumulated depreciation	(16,470,528)	(1,514,191)	(8,082,116)	(6,795,000)	(79,221)	-
Payables	490,145	7,157	71,246	396,862	14,880	-
Capital loan notes payable	5,438,240	4,452	3,428,039	2,005,749	-	-
Other long term liabilities	320,058	61,321	92,452	136,190	30,095	-
Miscellaneous adjustments, reclassifications and error corrections	(218,429)	(60,984)	(134,898)	(387,254)	236,408	(182)
Balances July 1, 2013, as restated	\$ 2,606,159	145,184	1,219,992	1,161,123	(48,439)	255,600

(14) 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 other information.

(15) Special Investigation

A special report for the City of West Liberty was released on October 30, 2014. The report found the City used an incorrect rate when calculating electric bills for the period May 15, 2013 through January 15, 2014. This resulted in the City overbilling customers by \$259,232. The City is working with the City Attorney to determine a resolution of the overbillings to utility customers.

City of West Liberty

Other Information

City of West Liberty
 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 and other city tax	\$ 1,133,742	-	-
Tax increment financing	130,999	-	-
Other city tax	407,512	-	-
Licenses and permits	41,065	-	-
Use of money and property	8,104	23,376	670
Intergovernmental	501,178	-	-
Charges for service	199,376	7,921,957	-
Miscellaneous	210,697	107,538	99,016
Total receipts	2,632,673	8,052,871	99,686
Disbursements:			
Public safety	856,412	-	-
Public works	266,098	-	-
Culture and recreation	722,742	-	-
General government	43,127	74,428	74,428
Debt service	406,429	-	-
Capital projects	900,951	-	-
Business type activities	-	8,513,014	-
Total disbursements	3,195,759	8,587,442	74,428
Excess (deficiency) of receipts over (under) disbursements	(563,086)	(534,571)	25,258
Other financing sources, net	149,415	1,128,438	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(413,671)	593,867	25,258
Balances beginning of year, as restated	1,138,169	2,733,460	255,600
Balances end of year	\$ 724,498	3,327,327	280,858

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,133,742	1,114,535	1,114,535	19,207
130,999	127,629	127,629	3,370
407,512	397,796	397,796	9,716
41,065	45,250	45,250	(4,185)
30,810	21,250	21,250	9,560
501,178	426,349	432,098	69,080
8,121,333	8,563,700	8,567,970	(446,637)
219,219	136,150	162,150	57,069
10,585,858	10,832,659	10,868,678	(282,820)
856,412	855,303	895,871	39,459
266,098	383,334	433,334	167,236
722,742	734,790	841,040	118,298
43,127	137,995	158,837	115,710
406,429	386,093	423,718	17,289
900,951	800,000	930,000	29,049
8,513,014	7,512,904	9,763,141	1,250,127
11,708,773	10,810,419	13,445,941	1,737,168
(1,122,915)	22,240	(2,577,263)	1,454,348
1,277,853	-	1,278,000	(147)
154,938	22,240	(1,299,263)	1,454,201
3,616,029	15,414,609	15,414,609	(11,798,580)
3,770,967	15,436,849	14,115,346	(10,344,379)

City of West Liberty

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 Internal Service Fund. 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 Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,635,522. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the capital projects function prior to the budget amendment.

Supplementary Information

City of West Liberty

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			
	FEMA	Employee Benefits	Dutton Complex Trust	Library Trust
Receipts:				
Property tax	\$ -	326,304	-	-
Use of money and property	-	-	-	123
Miscellaneous	-	-	-	5,065
Total receipts	-	326,304	-	5,188
Disbursements:				
Operating:				
Culture and recreation	-	-	-	31,982
Excess (deficiency) of receipts over (under) disbursements	-	326,304	-	(26,794)
Other financing uses:				
Transfers out	-	(326,304)	-	-
Change in cash balances	-	-	-	(26,794)
Cash balances beginning of year, as restated	16,030	-	(93,956)	67,706
Cash balances end of year	\$ 16,030	-	(93,956)	40,912
Cash Basis Fund Balances				
Nonspendable for perpetual care	\$ -	-	-	-
Restricted for other purposes	16,030	-	-	40,912
Unassigned	-	-	(93,956)	-
Total cash basis fund balances	\$ 16,030	-	(93,956)	40,912

See accompanying independent auditor's report.

<u>Permanent</u>	
<u>Perpetual Care</u>	<u>Total</u>
-	326,304
-	123
-	5,065
-	<u>331,492</u>
-	31,982
-	299,510
-	<u>(326,304)</u>
-	(26,794)
67,981	<u>57,761</u>
67,981	<u>30,967</u>
67,981	67,981
-	56,942
-	<u>(93,956)</u>
67,981	<u>30,967</u>

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan and refunding notes:			
Street improvement	Nov 1, 2006	3.75-4.15%	\$ 850,000
Street improvement	Aug 15, 2009	1.25-2.80	775,000
Street, sidewalk, sewer and water	Dec 15, 2009	1.05-4.10	1,600,000
Building, structure, property restoration	Jun 28, 2013	2.40-3.75	1,360,000
Total			
Revenue capital loan notes:			
Water	Feb 6, 2014	.50-4.50%	\$ 1,300,000
Sewer	Nov 18, 2008	4.00-7.05	4,100,000
Electric	May 3, 2011	.50-2.80	2,815,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
380,000	-	90,000	290,000	15,493
395,000	-	130,000	265,000	9,825
1,330,000	-	95,000	1,235,000	45,775
1,360,000	-	-	1,360,000	37,622
<u>\$ 3,465,000</u>	<u>-</u>	<u>315,000</u>	<u>3,150,000</u>	<u>108,715</u>
-	1,300,000	80,000	1,220,000	13,871
3,490,000	-	150,000	3,340,000	225,733
2,040,000	-	395,000	1,645,000	41,135
<u>\$ 5,530,000</u>	<u>1,300,000</u>	<u>625,000</u>	<u>6,205,000</u>	<u>280,739</u>

City of West Liberty
 Capital Loan Note Maturities
 June 30, 2014

General Obligation Capital Loan and Refunding Notes									
Year Ending June 30,	Street Improvement		Street Improvement		Street, Sidewalk, Sewer and Water Improvement		Building, Structure and Property Restoration		
	Issued Nov 1, 2006		Issued Aug 15, 2009		Issued Dec 15, 2009		Issued Jun 28, 2013		
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total
2015	4.05%	\$ 95,000	2.50%	\$ 130,000	2.55%	\$ 95,000	3.40%	\$ 65,000	385,000
2016	4.10	95,000	2.80	135,000	2.80	95,000	2.40	65,000	390,000
2017	4.15	100,000		-	3.05	100,000	2.40	65,000	265,000
2018		-		-	3.25	105,000	2.40	65,000	170,000
2019		-		-	3.45	105,000	2.40	65,000	170,000
2020		-		-	3.60	110,000	2.40	70,000	180,000
2021		-		-	3.75	115,000	2.40	70,000	185,000
2022		-		-	3.85	120,000	2.60	70,000	190,000
2023		-		-	3.95	125,000	2.80	75,000	200,000
2024		-		-	4.00	130,000	3.00	75,000	205,000
2025		-		-	4.10	135,000	3.10	75,000	210,000
2026		-		-		-	3.20	80,000	80,000
2027		-		-		-	3.30	80,000	80,000
2028		-		-		-	3.40	85,000	85,000
2029		-		-		-	3.50	85,000	85,000
2030		-		-		-	3.60	85,000	85,000
2031		-		-		-	3.70	90,000	90,000
2032		-		-		-	3.75	95,000	95,000
2033		-		-		-		-	-
Total		<u>\$ 290,000</u>		<u>\$ 265,000</u>		<u>\$ 1,235,000</u>		<u>\$ 1,360,000</u>	<u>3,150,000</u>

See accompanying independent auditor's report.

Revenue Capital Loan Notes						
Water		Sewer		Electric		
Issued Feb 6, 2014		Issued Nov 18, 2008		Issued May 3, 2011		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
0.50%	\$ 50,000	5.50%	\$ 160,000	1.80%	\$ 400,000	610,000
1.50	50,000	5.75	165,000	2.20	405,000	620,000
1.50	50,000	6.00	175,000	2.50	420,000	645,000
1.50	55,000	6.10	185,000	2.80	420,000	660,000
2.50	55,000	6.20	195,000	-	-	250,000
2.50	55,000	6.30	210,000	-	-	265,000
2.50	55,000	6.40	225,000	-	-	280,000
3.25	55,000	6.50	235,000	-	-	290,000
3.25	60,000	6.60	250,000	-	-	310,000
3.25	60,000	6.70	270,000	-	-	330,000
4.00	65,000	6.80	285,000	-	-	350,000
4.00	65,000	6.90	305,000	-	-	370,000
4.00	70,000	7.00	330,000	-	-	400,000
4.25	70,000	7.05	350,000	-	-	420,000
4.25	75,000	-	-	-	-	75,000
4.25	75,000	-	-	-	-	75,000
4.50	80,000	-	-	-	-	80,000
4.50	85,000	-	-	-	-	85,000
4.50	90,000	-	-	-	-	90,000
	<u>\$ 1,220,000</u>		<u>\$ 3,340,000</u>		<u>\$ 1,645,000</u>	<u>6,205,000</u>

City of West Liberty

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

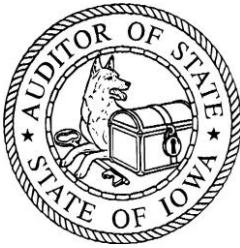
For the Last Ten Years

	Cash Basis			
	2014	2013	2012	2011
Receipts:				
Property tax	\$ 1,133,742	1,070,832	1,012,623	1,003,077
Tax increment financing	130,999	130,930	129,404	128,722
Other city tax	407,512	384,498	399,940	340,424
Licenses and permits	41,065	41,974	16,272	13,939
Use of money and property	8,104	7,559	8,520	16,611
Intergovernmental	501,178	443,945	426,547	665,765
Charges for service	199,376	162,884	203,540	192,775
Miscellaneous	210,697	(81,878)	496,317	169,380
Contributions	-	-	-	-
Total	\$ 2,632,673	2,160,744	2,693,163	2,530,693
Disbursements:				
Operating:				
Public safety	\$ 856,412	893,566	1,073,607	767,273
Public works	266,098	247,400	262,787	297,001
Culture and recreation	722,742	824,134	790,730	880,917
Community and economic development	-	-	-	-
General government	43,127	90,008	186,254	144,649
Debt service	406,429	418,499	423,010	414,881
Capital projects	900,951	343,119	350,179	1,356,578
Total	\$ 3,195,759	2,816,726	3,086,567	3,861,299

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
885,240	908,174	809,496	759,669	712,714	678,048
128,126	77,854	149,195	181,404	177,787	177,486
346,164	404,484	360,873	358,319	309,232	278,919
12,138	10,380	13,303	15,211	21,076	24,309
24,846	35,028	78,024	96,442	64,049	36,501
355,020	371,963	311,618	293,258	807,700	291,191
163,550	157,475	172,235	133,751	126,936	118,280
146,849	194,155	125,794	116,680	153,687	216,935
84,374	80,140	496,013	-	-	-
<u>2,146,307</u>	<u>2,239,653</u>	<u>2,516,551</u>	<u>1,954,734</u>	<u>2,373,181</u>	<u>1,821,669</u>
691,962	711,875	695,671	518,950	660,357	646,908
438,445	385,483	518,212	324,907	291,609	328,661
996,276	1,215,194	991,550	550,833	431,894	549,168
-	-	316	-	-	87
125,713	133,730	103,678	111,083	168,056	182,985
336,939	303,119	302,660	223,045	205,702	203,904
1,534,489	70,136	374,089	80,605	827,118	399,354
<u>4,123,824</u>	<u>2,819,537</u>	<u>2,986,176</u>	<u>1,809,423</u>	<u>2,584,736</u>	<u>2,311,067</u>

City of West Liberty



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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, each major fund and the aggregate remaining fund information of the City of West Liberty, 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 March 31, 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 Liberty'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 Liberty's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Liberty'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 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 Liberty'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 (D) to be material weaknesses.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Liberty's Responses to the Findings


The City of West Liberty's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of West Liberty'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 Liberty 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

March 31, 2015

City of West Liberty

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. We noted one of three individuals has control over the following areas:

- (1) Accounting system – general accounting and purchasing.
- (2) Cash – reconciling and check signing.
- (3) Investments – authorizing, accounting functions and custody of assets.
- (4) Long-term debt – reconciling and recording.
- (5) Payroll – preparing, entering new rates and distributing.
- (6) Receipts – reconciling and depositing.

Also, mail is not opened by someone independent of accounting functions.

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 staff, including elected officials.

Response – The City will continue to monitor this situation, make cost effective improvements and create policies/procedures.

Conclusion – Response accepted.

(B) Accounting Policies and Procedures – The City does not have policies for cell phone usage for city phones or a credit card policy.

Recommendation – For better accountability, the City should develop written policies to address the above items. At a minimum, policies should state proper usage and maximum reimbursement rates for cell phone usage, who has credit cards and spending limits for each cardholder. In addition, adequate supporting documentation should be retained for all cell phone and credit card charges.

Response – The City is currently reviewing and updating all policies and procedures.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2014

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

The City does not have written policies for:

- Requiring staff to log off unattended computers.
- Requiring the maintenance of password privacy and confidentiality.
- Requiring passwords be changed at least every 60-90 days.
- Requiring password length of a minimum of 8 characters, including special characters.
- Requiring a lockout function for incorrectly entered passwords.
- Installing software from a vendor and ensuring only software licensed to the City is installed on computers.
- Computer usage policy.
- Usage of the internet.
- Personal use of computer equipment and software.

Also, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer systems. A written disaster recovery plan should be developed. At a minimum, the plan should identify a listing of computer equipment needed for temporary processing, extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., and be located off-site. Additionally, copies of user documentation and the disaster recovery plan should be maintained at an off-site location. The backup tapes should be stored at an offsite location.

Response – The City is working with the IT department to implement the security changes.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2014

- (D) Reconciliation of Utility and Ambulance Billings, Collections and Delinquent Accounts
– Utility and Ambulance billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility and ambulance billings, collections and delinquent accounts for each billing period. The City Council or a City Council designated independent person should review the reconciliation and monitor delinquencies. The review should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will work to implement the reconciliations of the utility and ambulance accounts on a monthly basis.

Conclusion – Response accepted.

- (E) Timely Deposits – Certain checks were not deposited timely.

Recommendation – The City should deposit all collections timely.

Response – The City will continue to work on making deposits in a timely manner.

Conclusion – Response accepted.

- (F) Personal Use of City Credit Cards – The City has issued credit cards for City employees and Fire Department personnel to purchase fuel for Fire Department vehicles. The City and the Fire Department investigated and reported several purchases made by a fireman for personal use. The individual was dismissed from the Fire Department.

Recommendation – City officials should review its current policy regulating the use of City credit cards. In addition, the City should continue to work with legal authorities regarding the proper resolution of this matter.

Response – The City is working with legal counsel to review and update all policies and procedures.

Conclusion – Response accepted.

City of West Liberty

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 exceeded the amount budgeted in the capital projects function prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will work to make the appropriate budget amendments prior to incurring the expenses.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
William Cline, City Council Member, owner of HD Cline Co. Inc.	Purchase of miscellaneous items for Public Works	\$13,632
Lee Geertz, Treasurer, Part owner of Pike Run	Purchase of misc. items for Public Works	66

The transactions with Pike Run do not appear to represent a conflict of interest in accordance with Chapter 362.5(3)(j) of the Code of Iowa since the total transactions during the year were less than \$1,500. The transactions with HD Cline Co. Inc. may represent a conflict of interest in accordance with Chapter 362.5(3)(j) of the Code of Iowa since the total transactions exceeded \$1,500 during the year and were not competitively bid.

Recommendation – The City should consult legal counsel to resolve this matter.

Response – HD Cline Co. Inc. is a local business that provides repairs and parts for the City’s mowers, skid steer and other equipment. This is a local business that allows for staff to drive equipment to the shop for repair and parts are immediately available.

Conclusion – Response acknowledged. The City should consult legal counsel to resolve this matter.

City of West Liberty

Schedule of Findings

Year ended June 30, 2014

- (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 Notes – The sinking and reserve funds required by the note resolution for Water were not established and the required funds set aside.

Recommendation – The sinking and reserve accounts required by the water revenue capital loan note resolution should be established and the required funds should be deposited to the accounts.

Response – The City has created and is utilizing the line items per recommendation from the auditor.

Conclusion – Response accepted.

- (9) Payment of General Obligation Notes – Interest on a certain general obligation notes was paid from the General Fund. 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 tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payment of the notes should then be disbursed from the Debt Service Fund.

Response – The City has made the adjustment per recommendation from the auditor.

Conclusion – Response accepted.

- (10) Financial Condition – The Capital Projects Fund and the Special Revenue, Dutton Complex Trust Fund had deficit balances of \$610,346 and \$93,956, respectively, at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – The City will discuss alternative methods to eliminate the deficits.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2014

- (11) Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City reported the beginning cash balance using the July 1, 2013 balance instead of the July 1, 2012 cash balance.

Recommendation – The City should ensure the correct beginning balances are reported to ensure proper reporting of TIF debt amounts.

Response – The report has been corrected for the next filing per recommendations from the auditor.

Conclusion – Response accepted.

- (12) Separate Accounts – The City accounted for Employee Benefits, Local Option Sale Tax (LOST) and Emergency Management funds in the General Fund.

Recommendation – The City should account for Employee Benefits, Local Option Sales Tax (LOST) and Emergency Management funds in separate Special Revenue Funds.

Response – The City has created and is utilizing the funds per recommendations of the auditor.

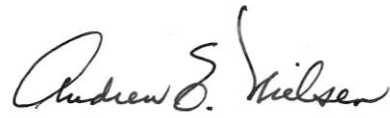
Conclusion – Response accepted.

City of West Liberty

Staff

This audit was performed by:

James S. Cunningham, CPA, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Amanda L. Burt, Staff Auditor
Zack D. Kubik, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State