



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

May 6, 2016

Contact: Andy Nielsen
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 \$14,646,304 for the year ended June 30, 2015, a 23.5% increase over the prior year. The receipts included \$1,270,135 of property tax, \$123,896 of tax increment financing, \$8,112,952 of charges for service, \$1,072,150 of operating grants, contributions and restricted interest, \$423,341 of local option sales tax, \$18,710 of unrestricted interest on investments, \$3,543,063 of note proceeds and \$82,057 of other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$14,452,713, a 23.7% increase over the prior year, and included a payment to the refunding escrow agent of \$3,827,689, \$868,665 for public safety, \$758,327 for culture and recreation and \$448,327 for debt service. Also, disbursements for business type activities totaled \$7,802,679.

The significant increase in receipts and disbursements is due primarily to the issuance of revenue refunding capital loan notes and payment of the note proceeds to the refunding escrow agent.

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/1520-0656-B00F>.

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

JUNE 30, 2015

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City of West Liberty

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
William J. Sueppel	City Attorney	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, the discretely presented component unit, 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, 2015, 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 discretely presented component unit, each major fund and the aggregate remaining fund information of the City of West Liberty as of June 30, 2015, 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 discussed 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 4, the City of West Liberty adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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 Liberty'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 year ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight 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, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 15 and 38 through 45, 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 April 8, 2016 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

April 8, 2016

City of West Liberty

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 21.8%, or approximately \$575,000, from fiscal year 2014 to fiscal year 2015. Operating grants, contributions and restricted interest increased approximately \$424,000.
- Disbursements of the City's governmental activities decreased 11.4%, or approximately \$362,000, in fiscal year 2015 from fiscal year 2014. Capital projects disbursements decreased approximately \$597,000 while public works disbursements increased approximately \$96,000 and debt service disbursements increased approximately \$82,000.
- The City's total cash basis net position increased 4.8%, or approximately \$194,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$494,000 and the cash basis net position of the business type activities decreased approximately \$300,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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, 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.

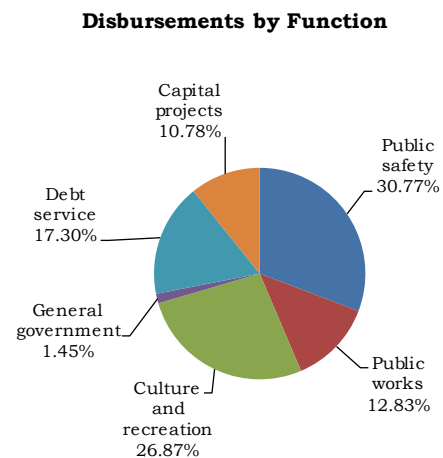
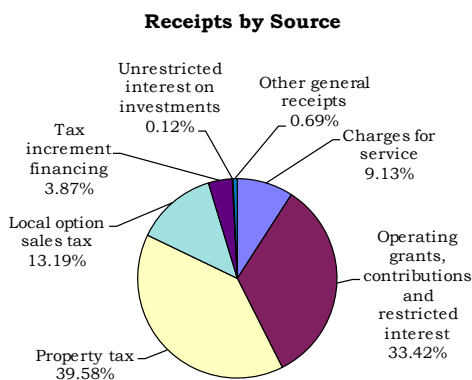
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 increased from a year ago, increasing from approximately \$864,000 to approximately \$1,359,000. 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,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 293	284
Operating grants, contributions and restricted interest	1,072	648
General receipts:		
Property tax	1,270	1,134
Local option sales tax	423	408
Tax increment financing	124	131
Unrestricted interest on investments	4	4
Other general receipts	22	24
Total receipts	3,208	2,633
Disbursements:		
Public safety	869	851
Public works	362	266
Culture and recreation	758	719
General government	41	40
Debt service	488	406
Capital projects	304	901
Total disbursements	2,822	3,183
Change in cash basis net position before transfers	386	(550)
Transfers, net	108	149
Change in cash basis net position	494	(401)
Cash basis net position beginning of year	864	1,265
Cash basis net position end of year	\$ 1,358	864



The City's total receipts for governmental activities increased 21.8%, or approximately \$575,000, over the prior year. The total cost of all programs and services decreased approximately \$362,000, or 11.4%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds from FEMA related to flood damage. The decrease in disbursements was due primarily to a decrease in capital project costs.

The total assessed valuation for the City increased approximately 2% from the prior year, resulting in an increase in property tax receipts of approximately \$136,000.

The cost of all governmental activities this year was approximately \$2.822 million compared to approximately \$3.183 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$1.458 million because some of the cost was paid by those directly benefited from the programs (approximately \$293,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,072,000). 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 2015 from approximately \$932,000 to approximately \$1,365,000, primarily due to receiving proceeds from FEMA related to flood damage.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 673	684
Sewer	2,344	2,200
Electric	4,352	4,647
Solid waste	451	391
General receipts:		
Unrestricted interest on investments	15	22
Note proceeds	3,543	1,278
Other general receipts	60	8
Total receipts	11,438	9,230
Disbursements:		
Water	786	1,598
Sewer	1,770	2,106
Electric	5,027	4,480
Solid waste	219	316
Payment to refunding escrow agent	3,828	-
Total disbursements	11,630	8,500
Change in cash basis net position before transfers	(192)	730
Transfers, net	(108)	(149)
Change in cash basis net position	(300)	581
Cash basis net position beginning of year	3,187	2,606
Cash basis net position end of year	\$ 2,887	3,187

Total business type activities receipts for the fiscal year were approximately \$11.438 million compared to approximately \$9.230 million last year. This significant increase was due primarily to the receipt of \$3.543 million of sewer revenue refunding capital loan proceeds. Total disbursements for the fiscal year increased 36.8%, or approximately \$3.130 million. This significant increase was due primarily to the payment of \$3.828 million of note proceeds to the refunding escrow agent to be used for the payment of the refunded sewer revenue capital loan notes.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Liberty completed the year, its governmental funds reported a combined fund balance of \$1,215,169, an increase of approximately \$491,000 over last year's total of \$724,498. 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 \$279,080 over the prior year to \$926,352. The increase is primarily due to increased intergovernmental receipts from FEMA and increased contributions for the new ambulance bay. Disbursements increased primarily due to expenses related to flooding.
- The Special Revenue, Road Use Tax Fund cash balance increased approximately \$117,500. This increase was attributable to a slight increase in road use tax receipts from the State of Iowa and a slight decrease in disbursements. The City intends to use this fund to upgrade and maintain the condition of City roads.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$759 to \$9,688. The increase was primarily the result of a decrease in the amount transferred to the Debt Service Fund during the year to service debt issued for urban renewal purposes.
- The Debt Service Fund cash balance decreased approximately \$17,000 to \$134,265. During the fiscal year, the City received approximately \$184,000 of property tax receipts and approximately \$305,000 transferred in from other funds. These receipts and transfers were used to pay debt obligations.
- The Capital Projects Fund cash balance increased approximately \$53,600. Fiscal year 2015 disbursements of approximately \$304,000 related primarily to a new ambulance bay. Capital projects were funded by net transfers from other funds of approximately \$357,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased approximately \$109,000 during the fiscal year. The City received approximately \$676,000, primarily from charges for service, and spent approximately \$786,000 for operations, debt service payments and capital projects.
- The Enterprise, Sewer Fund cash balance increased \$263,715, or 21%. Charges for service increased approximately \$144,000, due primarily to an increase in customers. Disbursements decreased, due primarily to the payment of sewer system improvements in fiscal year 2014 which did not occur in fiscal year 2015.
- The Enterprise, Electric Fund cash balance decreased \$684,638 to \$621,360. Charges for service decreased approximately \$329,000 to \$4,317,575, primarily due to billing credits given customers for prior year overbilling. In addition, there was an increase in costs for wholesale electric power and diesel fuel for engines and an increase of approximately \$211,000 related to capital projects.
- The Enterprise, Solid Waste Fund cash balance increased \$225,670 to \$250,304. During the fiscal year, the City received approximately \$451,000 for charges for service and paid approximately \$210,000 for operations costs, \$10,000 for capital projects and \$5,625 to repay an interfund loan to the other enterprise funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 2, 2015 and resulted in an increase in budgeted operating disbursements of \$1,647,100, primarily for capital project disbursements for the ambulance bay and wastewater treatment plant, the purchase of wholesale electric and flood expenses.

The City's receipts were \$370,189 less than budgeted. This was primarily due to the City receiving less in electric charges for service than anticipated.

Total disbursements were \$961,371 less than the amended budget. Actual disbursements for the business type activities function were less than the amended budget due to cost saving measures taken for water, a decrease in supply costs and delays in sewer capital improvements.

The City exceeded the amount budgeted in the public works, debt service and capital projects functions prior to the budget amendment for the year ended June 30, 2015. The City exceeded the amounts budgeted in the debt service and capital projects functions for the year ended June 30, 2015 due to debt service costs being greater than anticipated and capital projects costs being budgeted in other functions.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$8,780,000 of capital loan notes payable outstanding, compared to \$9,355,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2015	2014
General obligation capital loan notes	\$ 2,765,000	3,150,000
Revenue capital loan notes	6,015,000	6,205,000
Total	\$ 8,780,000	9,355,000

Debt decreased as a result of scheduled principal payments made during the fiscal year.

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 \$2,765,000 is significantly below its constitutional debt limit of approximately \$6.9 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 spent considerable time working on the budget to determine the best course of action in the interest to the City as a whole and remain fiscally responsible, considering many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. The objective was to deliver a budget which maintains the level of services we provide, quality of life and build our reserve capacity.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are based on rate studies and increases in three proprietary accounts. Refinancing existing bonds at better interest rates will also impact the 2016 budget favorably. Decreased health care costs, street construction and a conservative measurement on all disbursements are all contributing factors. The City has added no major new programs or initiatives to the fiscal year 2016 budget.

If these efforts are realized, the City's budgeted cash balance is expected to increase by the close of fiscal year 2016.

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.

City of West Liberty

Basic Financial Statements

City of West Liberty

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Program Receipts		
	Disbursements	Charges	Operating Grants,
		for	Contributions
	Service	and Restricted	Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 868,665	217,563	411,779
Public works	362,457	3,863	624,320
Culture and recreation	758,108	59,720	36,051
General government	41,145	11,340	-
Debt service	488,327	-	-
Capital projects	303,643	-	-
Total governmental activities	2,822,345	292,486	1,072,150
Business type activities:			
Water	785,823	672,851	-
Sewer	1,770,543	2,344,326	-
Electric	5,026,979	4,352,203	-
Solid waste	219,334	451,086	-
Total business type activities	7,802,679	7,820,466	-
Total Primary Government	\$ 10,625,024	8,112,952	1,072,150
Component Unit:			
West Liberty Free Library Foundation	\$ -	-	-
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 refunding capital loan note proceeds, net of discount of \$59,400 and accrued interest of \$2,463			
Payment to refunding escrow agent			
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:			
Perpetual care			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Capital improvements			
Library			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	West Liberty Free Library Foundation
(239,323)	-	(239,323)	
265,726	-	265,726	
(662,337)	-	(662,337)	
(29,805)	-	(29,805)	
(488,327)	-	(488,327)	
(303,643)	-	(303,643)	
(1,457,709)	-	(1,457,709)	
-	(112,972)	(112,972)	
-	573,783	573,783	
-	(674,776)	(674,776)	
-	231,752	231,752	
-	17,787	17,787	
(1,457,709)	17,787	(1,439,922)	
			-
1,086,080	-	1,086,080	-
184,063	-	184,063	-
123,896	-	123,896	-
423,341	-	423,341	-
4,171	14,539	18,710	-
-	3,543,063	3,543,063	-
-	(3,827,689)	(3,827,689)	-
22,081	59,976	82,057	1,618
108,283	(108,283)	-	-
1,951,915	(318,394)	1,633,521	1,618
494,206	(300,607)	193,599	1,618
864,380	3,187,445	4,051,825	40,541
\$ 1,358,586	2,886,838	4,245,424	42,159
			-
\$ 67,981	-	67,981	-
614,058	-	614,058	-
9,688	-	9,688	-
134,265	949,283	1,083,548	-
-	830,108	830,108	-
-	-	-	42,159
113,509	-	113,509	-
419,077	1,107,447	1,526,524	-
\$ 1,358,578	2,886,838	4,245,416	42,159

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, 2015

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 753,324	-	-
Tax increment financing	-	-	123,896
Other city tax	-	-	-
Licenses and permits	39,746	-	-
Use of money and property	12,004	-	82
Intergovernmental	283,377	388,478	-
Charges for service	224,874	-	-
Miscellaneous	417,609	328	-
Total receipts	1,730,934	388,806	123,978
Disbursements:			
Operating:			
Public safety	870,055	-	-
Public works	140,694	221,942	-
Culture and recreation	740,444	-	-
General government	42,001	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,793,194	221,942	-
Excess (deficiency) of receipts over (under) disbursements	(62,260)	166,864	123,978
Other financing sources (uses):			
Transfers in	641,340	-	-
Transfers out	(300,000)	(49,387)	(123,219)
Total other financing sources (uses)	341,340	(49,387)	(123,219)
Change in cash balances	279,080	117,477	759
Cash balances beginning of year	647,272	496,581	8,929
Cash balances end of year	\$ 926,352	614,058	9,688
Cash Basis Fund Balances			
Nonspendable for perpetual care	\$ -	-	-
Restricted for:			
Streets	-	614,058	-
Urban renewal purposes	-	-	9,688
Debt service	-	-	-
Other purposes	-	-	-
Assigned:			
Fire station	542,523	-	-
Ambulance	341,892	-	-
Unassigned	41,937	-	-
Total cash basis fund balances	\$ 926,352	614,058	9,688

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
184,055	-	332,756	1,270,135
-	-	-	123,896
-	-	423,341	423,341
-	-	-	39,746
-	-	304	12,390
-	-	-	671,855
-	-	-	224,874
-	-	24,085	442,022
184,055	-	780,486	3,208,259
-	-	-	870,055
-	-	-	362,636
-	-	18,765	759,209
-	-	-	42,001
488,327	-	-	488,327
-	303,643	-	303,643
488,327	303,643	18,765	2,825,871
(304,272)	(303,643)	761,721	382,388
304,728	426,100	-	1,372,168
(17,286)	(68,839)	(705,154)	(1,263,885)
287,442	357,261	(705,154)	108,283
(16,830)	53,618	56,567	490,671
151,095	(610,346)	30,967	724,498
134,265	(556,728)	87,534	1,215,169
-	-	67,981	67,981
-	-	-	614,058
-	-	-	9,688
134,265	-	-	134,265
-	-	113,509	113,509
-	-	-	542,523
-	-	-	341,892
-	(556,728)	(93,956)	(608,747)
134,265	(556,728)	87,534	1,215,169

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, 2015

Total governmental funds cash balances (page 21) \$ 1,215,169

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.

143,409

Cash basis net position of governmental activities (page 19) \$ 1,358,578

Change in cash balances (page 21) \$ 490,671

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.

3,527

Change in cash basis net position of governmental activities (page 19) \$ 494,198

See notes to financial statements.

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, 2015

	Enterprise					Internal
	Water	Sewer	Electric	Solid	Total	Service
				Waste		Employee
						Health
Operating receipts:						
Charges for service	\$ 672,851	2,344,326	4,317,575	451,086	7,785,838	-
Miscellaneous	-	54,848	39,756	-	94,604	77,639
Total operating receipts	672,851	2,399,174	4,357,331	451,086	7,880,442	77,639
Operating disbursements:						
Governmental activities:						
General government	-	-	-	-	-	82,546
Business type activities	361,485	1,617,390	4,294,360	210,010	6,483,245	-
Total operating disbursements	361,485	1,617,390	4,294,360	210,010	6,483,245	82,546
Excess (deficiency) of operating receipts over (under) operating disbursements	311,366	781,784	62,971	241,076	1,397,197	(4,907)
Non-operating receipts (disbursements):						
Interest on investments	3,157	3,624	7,562	196	14,539	610
Miscellaneous	-	-	(5,659)	-	(5,659)	11,515
Revenue refunding capital loan note proceeds, net of \$59,400 discount and accrued interest of \$2,463	-	3,543,063	-	-	3,543,063	-
Payment to refunding escrow agent	-	(3,827,689)	-	-	(3,827,689)	-
Debt service	(91,213)	(110,755)	(434,770)	-	(636,738)	-
Capital projects	(333,480)	(42,779)	(294,492)	(9,977)	(680,728)	-
Net non-operating receipts (disbursements)	(421,536)	(434,536)	(727,359)	(9,781)	(1,593,212)	12,125
Excess (deficiency) of receipts over (under) disbursements	(110,170)	347,248	(664,388)	231,295	(196,015)	7,218
Transfers in (out):						
Transfers in	1,125	2,250	2,250	-	5,625	-
Transfers out	-	(85,783)	(22,500)	(5,625)	(113,908)	-
Net transfers in (out)	1,125	(83,533)	(20,250)	(5,625)	(108,283)	-
Change in cash balances	(109,045)	263,715	(684,638)	225,670	(304,298)	7,218
Cash balances beginning of year	463,843	1,251,994	1,305,998	24,634	3,046,469	280,858
Cash balances end of year	\$ 354,798	1,515,709	621,360	250,304	2,742,171	288,076
Cash Basis Fund Balances						
Restricted for:						
Debt service	\$ 165,069	502,714	281,500	-	949,283	-
Capital improvements	100,000	150,000	580,108	-	830,108	-
Unrestricted	89,729	862,995	(240,248)	250,304	962,780	288,076
Total cash basis fund balances	\$ 354,798	1,515,709	621,360	250,304	2,742,171	288,076

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, 2015

Total Enterprise Funds cash balances (page 23) \$ 2,742,171***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.

144,667**Cash basis net position of business type activities (page 19)**\$ 2,886,838**Change in Enterprise Funds cash balances (page 23)**

\$ (304,298)

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.

3,691**Change in cash basis net position of business type activities (page 19)**\$ (300,607)

See notes to financial statements.

City of West Liberty

Notes to Financial Statements

June 30, 2015

(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.

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

Discretely Presented Component Unit

The Friends of the West Liberty Free Library Foundation (Foundation) was incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of supporting the operations of the West Liberty Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

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. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2015 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
2016	\$ 390,000	92,247	50,000	40,962	225,000	124,989
2017	265,000	80,353	50,000	40,213	245,000	108,577
2018	170,000	71,593	55,000	39,463	245,000	104,535
2019	170,000	66,620	55,000	38,638	250,000	99,513
2020	180,000	61,438	55,000	37,263	260,000	93,513
2021-2025	990,000	214,173	295,000	162,725	1,405,000	345,792
2026-2030	415,000	78,173	355,000	103,187	970,000	79,295
2031-2033	185,000	10,455	255,000	23,400	-	-
Total	\$ 2,765,000	675,052	1,170,000	485,851	3,600,000	956,214

Year Ending June 30,	Electric Revenue			
	Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest
2016	\$ 405,000	26,715	1,070,000	284,913
2017	420,000	17,010	980,000	246,153
2018	420,000	5,880	890,000	221,471
2019	-	-	475,000	204,771
2020	-	-	495,000	192,214
2021-2025	-	-	2,690,000	722,690
2026-2030	-	-	1,740,000	260,655
2031-2033	-	-	440,000	33,855
Total	\$ 1,245,000	49,605	8,780,000	2,166,722

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 are expected to require approximately 29% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,655,851. For the current year, principal and interest paid and total customer net receipts were \$91,213 and \$311,366, respectively.

On April 23, 2015, the City issued \$3,600,000 of sewer revenue refunding capital loan notes with interest rates ranging from 1.00% to 4.10% per annum to advance refund \$3,340,000 of the sewer revenue capital loan notes issued in November 2008 to be called on June 1, 2017. The net proceeds of \$3,543,063 (net of discount of \$59,400 and accrued interest of \$2,463) plus an additional \$284,626 from the City's Debt Service Fund were deposited in an irrevocable trust with an escrow agent and used to purchase U.S. government securities to provide for all future debt service payments on the 2008 sewer revenue capital loan notes. As a result, the 2008 sewer revenue capital loan notes are considered to be defeased and the liability for the notes has been removed from the City's financial statements. The City refunded the notes to reduce its total debt service payments by approximately \$291,400 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$237,800.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,600,000 of sewer revenue refunding capital loan notes issued in April 2015. Proceeds from the notes were used to pay costs of refunding 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 are expected to require less than 50% of net receipts. The total principal and interest remaining to be paid on the notes is \$4,556,214. For the current year, interest paid on the 2008 sewer revenue capital loan notes and total customer net receipts were \$108,929 and \$781,784, 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 more than 100% of net receipts. The total principal and interest

remaining to be paid on the notes is \$1,294,605. For the current year, principal and interest paid and total customer net receipts were \$434,770 and \$62,971, 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 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.

The City has not complied with the provision of the electric revenue capital loan notes requiring user rates 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.

4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age, which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. In addition, protection occupation members contributed 6.76% of covered payroll and the City contributed 10.14% for a total rate of 16.90%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$131,302.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$551,810. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to

IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0139138%, which was an increase of 0.005568% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$56,895, \$35,503 and \$346,914, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%.

The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 1,318,447	\$ 551,810	\$ (65,030)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(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 27 active and 4 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 \$417 for single coverage and \$1,241 for family coverage. For the year ended June 30, 2015, the City contributed \$287,255 and plan members eligible for benefits contributed \$33,973 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. Qualified employees are eligible for an annual payout of unearned sick leave hours. 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, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 39,000
Sick leave	<u>13,000</u>
Total	<u>\$ 52,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(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 year ended June 30, 2015 was \$888,532.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 326,854
	Local Option Sales Tax	252,200
	Debt Service	17,286
	Enterprise:	
	Electric	22,500
	Sewer	22,500
		<u>641,340</u>
Debt Service	Special Revenue:	
	Road Use Tax	49,387
	Urban Renewal Tax Increment	123,219
	Capital Projects	68,839
	Enterprise:	
	Sewer	63,283
		<u>304,728</u>
Capital Projects	General	300,000
	Special Revenue:	
	Local Option Sales Tax	126,100
		<u>426,100</u>
Enterprise:		
Water	Enterprise:	
	Solid Waste	1,125
Enterprise:		
Sewer	Enterprise:	
	Solid Waste	2,250
Enterprise:		
Electric	Enterprise:	
	Solid Waste	2,250
Total		<u>\$ 1,377,793</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 \$556,728 and \$93,956, respectively, at June 30, 2015. 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) Restatement

The beginning of year cash balance for the City's discretely presented component unit was increased to include the West Liberty Free Library Foundation's cash and certificate of deposit previously excluded. The effect of the restatement is as follows:

	<u>Discretely Presented Component Unit</u>
Balance June 30, 2014, as previously stated	\$ -
Cash and certificate of deposit previously excluded	<u>40,541</u>
Balance July 1, 2014, as restated	<u>\$ 40,541</u>

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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property and other city tax	\$ 1,270,135	-	-
Tax increment financing	123,896	-	-
Other city tax	423,341	-	-
Licenses and permits	39,746	-	-
Use of money and property	12,390	15,149	610
Intergovernmental	671,855	-	-
Charges for service	224,874	7,785,838	-
Miscellaneous	442,022	183,758	89,154
Total receipts	3,208,259	7,984,745	89,764
Disbursements:			
Public safety	870,055	-	-
Public works	362,636	-	-
Culture and recreation	759,209	-	-
General government	42,001	82,546	82,546
Debt service	488,327	-	-
Capital projects	303,643	-	-
Business type activities	-	8,090,996	-
Total disbursements	2,825,871	8,173,542	82,546
Excess (deficiency) of receipts over (under) disbursements	382,388	(188,797)	7,218
Other financing sources, net	108,283	(108,283)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	490,671	(297,080)	7,218
Balances beginning of year	724,498	3,327,327	280,858
Balances end of year	\$ 1,215,169	3,030,247	288,076

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,270,135	1,239,855	1,239,855	30,280
123,896	123,219	123,219	677
423,341	387,359	387,359	35,982
39,746	16,350	16,350	23,396
26,929	19,620	19,745	7,184
671,855	426,251	644,251	27,604
8,010,712	8,423,350	8,564,850	(554,138)
536,626	159,800	477,800	58,826
11,103,240	10,795,804	11,473,429	(370,189)
870,055	877,533	1,215,033	344,978
362,636	295,288	425,288	62,652
759,209	713,864	773,464	14,255
42,001	137,266	137,266	95,265
488,327	486,704	486,704	(1,623)
303,643	-	-	(303,643)
8,090,996	7,720,483	8,840,483	749,487
10,916,867	10,231,138	11,878,238	961,371
186,373	564,666	(404,809)	591,182
-	-	-	-
186,373	564,666	(404,809)	591,182
3,770,967	4,052,202	4,052,202	(281,235)
3,957,340	4,616,868	3,647,393	309,947

City of West Liberty

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 \$1,647,100. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works, debt service and capital projects functions prior to the budget amendment. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

City of West Liberty

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0139138%
City's proportionate share of the net pension liability	\$ 552
City's covered-employee payroll	\$ 1,449
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.10%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of West Liberty

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last Seven Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 131	134	143	129
Contributions in relation to the statutorily required contribution	<u>(131)</u>	<u>(134)</u>	<u>(143)</u>	<u>(129)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,413	1,449	1,583	1,518
Contributions as a percentage of covered-employee payroll	9.27%	9.25%	9.03%	8.50%

See accompanying independent auditor's report.

GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

<u>2011</u>	<u>2010</u>	<u>2009</u>
109	102	110
<u>(109)</u>	<u>(102)</u>	<u>110</u>
<u>-</u>	<u>-</u>	<u>-</u>
1,428	1,414	1,516
7.63%	7.21%	7.26%

City of West Liberty

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

City of West Liberty

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, 2015

	Special Revenue				
	Dutton				
	FEMA	Employee Benefits	Local Option Sales Tax	Complex Trust	Library Trust
Receipts:					
Property tax	\$ -	332,756	-	-	-
Other city tax	-	-	423,341	-	-
Use of money and property	-	-	-	-	69
Miscellaneous	-	-	-	-	4,910
Total receipts	-	332,756	423,341	-	4,979
Disbursements:					
Operating:					
Culture and recreation	-	-	-	-	4,665
Excess of receipts over disbursements	-	332,756	423,341	-	314
Other financing uses:					
Transfers out	-	(326,854)	(378,300)	-	-
Change in cash balances	-	5,902	45,041	-	314
Cash balances beginning of year	16,030	-	-	(93,956)	40,912
Cash balances end of year	\$ 16,030	5,902	45,041	(93,956)	41,226
Cash Basis Fund Balances					
Nonspendable for perpetual care	\$ -	-	-	-	-
Restricted for other purposes	16,030	5,902	45,041	-	41,226
Unassigned	-	-	-	(93,956)	-
Total cash basis fund balances	\$ -	-	45,041	(93,956)	41,226

See accompanying independent auditor's report.

Park and Recreation Trust	Permanent		Total
		Perpetual Care	
-	-	-	332,756
-	-	-	423,341
235	-	-	304
19,175	-	-	24,085
19,410	-	-	780,486
14,100	-	-	18,765
5,310	-	-	761,721
-	-	-	(705,154)
5,310	-	-	56,567
-	67,981	-	30,967
5,310	67,981	-	87,534
-	67,981	-	67,981
5,310	-	-	113,509
-	-	-	(93,956)
5,310	67,981	-	87,534

City of West Liberty
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan 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 and property restoration	Jun 28, 2013	2.40-3.75	1,360,000
Total			
Revenue capital loan notes:			
Water	Feb 6, 2014	0.50-4.50%	\$ 1,300,000
Sewer	Nov 18, 2008	4.00-7.05	4,100,000
Sewer	Apr 23, 2015	1.00-4.10	3,600,000
Electric	May 3, 2011	0.50-2.80	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
290,000	-	95,000	195,000	11,893
265,000	-	130,000	135,000	7,030
1,235,000	-	95,000	1,140,000	43,733
1,360,000	-	65,000	1,295,000	40,671
<u>\$ 3,150,000</u>	<u>-</u>	<u>385,000</u>	<u>2,765,000</u>	<u>103,327</u>
1,220,000	-	50,000	1,170,000	41,213
3,340,000	-	3,340,000	-	108,929
-	3,600,000	-	3,600,000	-
1,645,000	-	400,000	1,245,000	34,770
<u>\$ 6,205,000</u>	<u>3,600,000</u>	<u>3,790,000</u>	<u>6,015,000</u>	<u>184,912</u>

City of West Liberty
Capital Loan Note Maturities
June 30, 2015

General Obligation Capital Loan 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 23, 2009		Issued Dec 15, 2009		Issued Jun 28, 2013		
	Interest Rates		Interest Rates		Interest Rates		Interest Rates		Amount
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>\$ 195,000</u>		<u>\$ 135,000</u>		<u>\$ 1,140,000</u>		<u>\$ 1,295,000</u>	<u>2,765,000</u>

See accompanying independent auditor's report.

Revenue Capital Loan Notes						
Water		Sewer Refunding		Electric		
Issued Feb 6, 2014		Issued Apr 23, 2015		Issued May 3, 2011		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
1.50%	\$ 50,000	1.00%	\$ 225,000	2.20%	\$ 405,000	680,000
1.50	50,000	1.65	245,000	2.50	420,000	715,000
1.50	55,000	2.05	245,000	2.80	420,000	720,000
2.50	55,000	2.40	250,000	-	-	305,000
2.50	55,000	2.70	260,000	-	-	315,000
2.50	55,000	2.95	265,000	-	-	320,000
3.25	55,000	3.20	270,000	-	-	325,000
3.25	60,000	3.40	280,000	-	-	340,000
3.25	60,000	3.60	290,000	-	-	350,000
4.00	65,000	3.75	300,000	-	-	365,000
4.00	65,000	3.90	310,000	-	-	375,000
4.00	70,000	4.00	325,000	-	-	395,000
4.25	70,000	1.10	335,000	-	-	405,000
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>\$ 1,170,000</u>		<u>\$ 3,600,000</u>		<u>\$ 1,245,000</u>	<u>6,015,000</u>

City of West Liberty

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

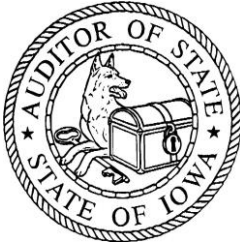
For the Last Ten Years

	Cash Basis			
	2015	2014	2013	2012
Receipts:				
Property tax	\$ 1,270,135	1,133,742	1,070,832	1,012,623
Tax increment financing	123,896	130,999	130,930	129,404
Other city tax	423,341	407,512	384,498	399,940
Licenses and permits	39,746	41,065	41,974	16,272
Use of money and property	12,390	8,104	7,559	8,520
Intergovernmental	671,855	501,178	443,945	426,547
Charges for service	224,874	199,376	162,884	203,540
Miscellaneous	442,022	210,697	(81,878)	496,317
Contributions	-	-	-	-
Total	\$ 3,208,259	2,632,673	2,160,744	2,693,163
Disbursements:				
Operating:				
Public safety	\$ 870,055	856,412	893,566	1,073,607
Public works	362,636	266,098	247,400	262,787
Health and social services	-	-	-	-
Culture and recreation	759,209	722,742	824,134	790,730
Community and economic development	-	-	-	-
General government	42,001	43,127	90,008	186,254
Debt service	488,327	406,429	418,499	423,010
Capital projects	303,643	900,951	343,119	350,179
Total	\$ 2,825,871	3,195,759	2,816,726	3,086,567

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
1,003,077	885,240	908,174	809,496	759,669	712,714
128,722	128,126	77,854	149,195	181,404	177,787
340,424	346,164	404,484	360,873	358,319	309,232
13,939	12,138	10,380	13,303	15,211	21,076
16,611	24,846	35,028	78,024	96,442	64,049
665,765	355,020	371,963	311,618	293,258	807,700
192,775	163,550	157,475	172,235	133,751	126,936
169,380	146,849	194,155	125,794	116,680	153,687
-	84,374	80,140	496,013	-	-
2,530,693	2,146,307	2,239,653	2,516,551	1,954,734	2,373,181
767,273	691,962	711,875	695,671	518,950	660,357
297,001	438,445	385,483	518,212	324,907	291,609
880,917	996,276	1,215,194	991,550	550,833	431,894
-	-	-	316	-	-
144,649	125,713	133,730	103,678	111,083	168,056
414,881	336,939	303,119	302,660	223,045	205,702
1,356,578	1,534,489	70,136	374,089	80,605	827,118
3,861,299	4,123,824	2,819,537	2,986,176	1,809,423	2,584,736

City of West Liberty



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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, 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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 8, 2016. 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 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 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 deficiency described in the accompanying Schedule of Findings as item (E) to be a significant deficiency.

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, 2015 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

April 8, 2016

City of West Liberty

Schedule of Findings

Year ended June 30, 2015

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. One of three individuals has control over the following areas:

- (1) Accounting system – general accounting and purchasing.
- (2) Cash – depositing, 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) Utility receipts – billing, collecting and posting.

Also, mail is not opened by someone independent of accounting functions. One individual initiates and posts journal entries with no independent review.

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 the situation, develop written internal procedures and utilize council committees to review monthly reports.

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. Supporting documentation was not available for credit card charges or for employee attendance at an Iowa League of Cities event.

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

Response – The new employee handbook/personnel policy contain the mentioned policies and is being reviewed by the City Attorney.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2015

- (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 its 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 new employee handbook/personnel policy contains policies on the use of credit cards, a cell phone policy and a requirement to maintain supporting documentation. The revised handbook/personnel policy is being reviewed by the City Attorney.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2015

- (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 is now reconciling both ambulance and utility billing on a monthly basis. The City will work to utilize Council committees for review of the reconciliation.

Conclusion – Response accepted.

- (E) Sales Tax – Sales tax collected and remitted to the State is not properly recorded in the City's financial records as receipts and disbursements. An adjustment was subsequently made by the City to properly include these amounts in the financial statements. In addition, sales tax collected was improperly calculated for one receipt tested and resulted in the City oversubmitting \$19.65 of sales tax to the State.

Recommendation – The City should implement procedures to ensure sales tax activity is properly recorded in the City's records and the proper amount is remitted to the State.

Response – The City will implement the changes recommended by the Office of Auditor of State.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, debt service and capital projects functions prior to the budget amendment. Also, during the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service and capital projects functions. 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 make the appropriate amendments to the budget prior to spending the funds.

Conclusion – Response accepted.

- (2) Questionable Disbursements – A certain disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. The disbursement is detailed as follows:

Paid to	Purpose	Amount
West Liberty Chamber of Commerce	Golf outing and dinner for four City employees	\$ 210

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

Recommendation – The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – City staff will take this under advisement and review any disbursements of this nature with the City Council to determine and document the public purpose.

Conclusion – Response accepted.

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

City of West Liberty

Schedule of Findings

Year ended June 30, 2015

- (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.	Purchases for public works	\$ 12,352
Lee Geertz, Treasurer, Part owner of Pike Run	Purchases for cemetery and public works	15,828

The transactions with HD Cline Co. Inc. and Pike Run may represent conflicts 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 – Mr. Cline is no longer on the City Council. Due to the size of the City and the City's commitment to purchasing local, the City will monitor any large purchases and require bids for the purchase.

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

- (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 note resolution requires electric rates be sufficient to maintain a balance of net receipts equal to at least 110% of the principal and interest due in the next fiscal year. The June 30, 2015 net receipts for the Enterprise, Electric Fund are \$62,971, which is less than 110% of the \$434,770 principal and interest due in fiscal year 2015.

Recommendation – The City Council should ensure electric rates are set at an amount sufficient to comply with the requirements of the note resolution.

Response – The City implemented rate increases, effective August 1, 2015, to meet the note requirements and the City will continue to monitor the fund to maintain compliance with the note requirements.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2015

- (9) Utility Fees and Penalties – The resolutions for the water and sewer notes require system receipts consisting of established charges, rates and rentals for services be pledged for the payment of the principal and interest on the notes. The City credits all penalties and fees associated with all utilities to the Enterprise, Electric Fund.

Recommendation – The City should take action to ensure the proper allocation of penalties and fees collected be credited to the Water and Sewer Funds in order for the funds to be available for repayment of the associated debt.

Response – The City will contact the software company to discuss the possibility of crediting penalties to the appropriate utility.

Conclusion – Response accepted.

- (10) Financial Condition – The Capital Projects Fund and the Special Revenue, Dutton Complex Trust Fund had deficit balances of \$556,728 and \$93,956, respectively, at June 30, 2015.

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

Response – The City is reviewing options to eliminate the deficits.

Conclusion – Response accepted.


- (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.

City of West Liberty

Staff

This audit was performed by:

James S. Cunningham, CPA, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Marcus B. Johnson, Staff Auditor
Kristin Finke, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State