

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 2, 2016

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

The City's receipts totaled \$3,299,500 for the year ended June 30, 2015, an 8.8% decrease from the prior year. The receipts included \$1,537,122 in property tax, \$215 from tax increment financing, \$43,525 from commercial/industrial tax replacement, \$173,221 from local option sales tax, \$941,742 from charges for service, \$403,473 from operating grants, contributions and restricted interest, \$67,500 from capital grants, contributions and restricted interest, \$3,401 from unrestricted interest on investments and \$129,301 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$3,646,173, an 11.1% decrease from the prior year, and included \$835,978 for public safety, \$609,663 for public works and \$571,811 for culture and recreation. Disbursements for business type activities totaled \$774,494.

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 <https://auditor.iowa.gov/reports/1520-0142-B00F>.

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

JUNE 30, 2015

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City of West Branch

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Mark Worrell	Mayor	(Deceased Jun 2015)
Roger Laughlin (Appointed Aug 2015)	Mayor	Nov 2015
Colton Miller	Mayor Pro tem	Jan 2016
Jordan Ellyson	Council Member	Jan 2016
Brian Pierce	Council Member	Jan 2016
Tim Shields	Council Member	Jan 2018
Mary Beth Stevenson	Council Member	Jan 2018
Matt Muckler	Administrator/City Clerk	Indefinite
Dawn Brandt	Deputy City Clerk	(Resigned Sep 2015)
Gordon Edgar (Appointed Nov 2015)	Deputy City Clerk	Indefinite
Kevin D. Olson	City Attorney	Indefinite

City of West Branch



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch 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 Branch 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 Branch's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 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 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 7 through 12 and 34 through 41, 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 May 10, 2016 on our consideration of the City of West Branch's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Branch's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Branch provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 decreased 14.3%, or \$418,224, from fiscal year 2014 to fiscal year 2015.
- Disbursements of the City's governmental activities increased 11%, or \$284,785, from fiscal year 2014 to fiscal year 2015.
- The City's total cash basis net position decreased 15.3%, or \$346,673, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased \$238,162 and the cash basis net position of the business type activities decreased \$108,511.

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

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's various functions.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for water, sewer and storm water utility operations, considered to be major funds of the City.

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

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

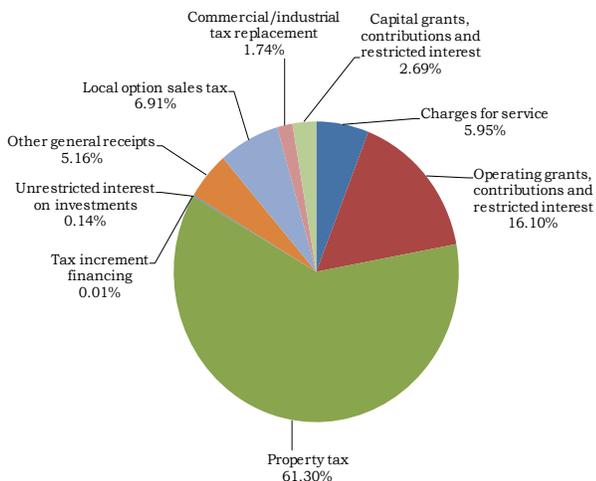
The required financial statement for the fiduciary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

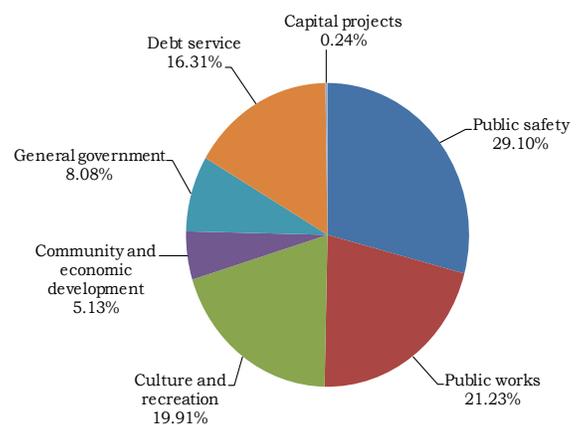
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$238,162 from a year ago, from \$1,830,670 to \$1,592,508. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

	Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 149,061	202,505
Operating grants, contributions and restricted interest	403,473	499,850
Capital grants, contributions and restricted interest	67,500	-
General receipts:		
Property tax	1,537,122	1,559,380
Tax increment financing	215	36,912
Commerical/industrial tax replacement	43,525	-
Local option sales tax	173,221	147,596
Unrestricted interest on investments	3,401	3,958
Note proceeds	-	400,000
Other general receipts	129,301	74,842
Total receipts	<u>2,506,819</u>	<u>2,925,043</u>
Disbursements:		
Public safety	835,978	556,440
Public works	609,663	480,201
Culture and recreation	571,811	925,633
Community and economic development	147,241	85,428
General government	231,897	198,704
Debt service	468,291	340,488
Capital projects	6,798	-
Total disbursements	<u>2,871,679</u>	<u>2,586,894</u>
Change in cash basis net position before transfers	(364,860)	338,149
Transfers, net	126,698	-
Change in cash basis net position	(238,162)	338,149
Cash basis net position beginning of year	1,830,670	1,492,521
Cash basis net position end of year	<u>\$ 1,592,508</u>	<u>1,830,670</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 14.3%, or \$418,224, from the prior year. The significant decrease in receipts is primarily due to note proceeds collected in fiscal year 2014 to purchase land for a park.

The total cost of all programs and services increased \$284,785, or 11%. This increase is primarily due to the purchase of a fire truck.

The cost of all governmental activities this year was \$2,871,679 compared to \$2,586,894 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14 and 15, the amount taxpayers ultimately financed for these activities was only \$2,251,645 because some of the cost was paid by those who directly benefited from the programs (\$149,061) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$470,973). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased by \$82,321 in fiscal year 2015. The City paid for the remaining "public benefit" portion of governmental activities with property, local option sales tax and other receipts, such as interest and miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 449,471	409,846
Sewer	307,783	284,323
Storm water	35,427	-
Total receipts	792,681	694,169
Disbursements:		
Water	451,583	473,901
Sewer	303,245	1,042,619
Storm water	19,666	-
Total disbursements	774,494	1,516,520
Change in cash basis net position before transfers	18,187	(822,351)
Transfers, net	(126,698)	-
Change in cash basis net position	(108,511)	(822,351)
Cash basis net position beginning of year	428,686	1,251,037
Cash basis net position end of year	\$ 320,175	428,686

Total business type activities receipts for the fiscal year were \$792,681 compared to \$694,169 last year. The cash balance decreased \$108,511 from the prior year. Total disbursements for the fiscal year decreased 48.9% to \$774,494. The decrease in disbursements was primarily due to a sewer lift station project completed in the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Branch completed the year, its governmental funds reported a combined cash balance of \$1,592,508, a decrease of \$238,162 from last year's total of \$1,830,670. The following are reasons for changes in cash balances of the major funds from the prior year.

- The General Fund cash balance decreased \$214,106, or 20.5%, from the prior year to \$830,889. Receipts decreased approximately \$44,800 due, in part, to a decrease in donations to the fire department. Disbursements increased approximately \$91,700 due to the purchase of a new fire truck, partially offset by the prior year purchase of land for a park.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$3,323 to \$105,232. Receipts increased 4.1% and disbursements increased 47.9%, primarily due to the purchase of equipment and a sidewalk project.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$95,476 to \$112,136. Receipts and disbursements decreased due to fewer tax increment financing receipts collected and no disbursements. Transfers out increased \$95,691 in fiscal year 2015 due to transfers to the Debt Service Fund to cover general obligation principal and interest payments payable from tax increment financing receipts.
- The Debt Service Fund cash balance increased \$1,470, or 4.3%, from June 30, 2014 to June 30, 2015.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$42,685 to \$138,217. Water Fund receipts increased \$39,625, or 9.7%, due to a water rate increase during fiscal year 2015. Disbursements decreased \$22,318, or 4.7%.
- The Enterprise, Sewer Fund cash balance decreased \$81,587 to \$166,197. Sewer Fund receipts increased \$23,460, or 8.3%, and disbursements decreased \$739,374, or 70.9%. The decrease was primarily due to completion of the lift station project during the prior year.
- The Enterprise, Storm Water Fund was established during fiscal year 2015 to address the City's drainage and flooding problems. Storm Water Fund fiscal year 2015 receipts were \$35,427 and disbursements were \$19,666, with an ending cash balance of \$15,761.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments were approved on March 2, 2015 and May 18, 2015 and provided for the purchase of a fire truck and sidewalk and street projects.

The City's receipts were \$163,440 less than budgeted.

The City's disbursements were \$645,491 less than the amended budget. This was primarily due to a delay in the purchase of radio equipment for the fire department and a delay in construction projects.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$3,295,376 of bonds and other long-term debt outstanding, compared to \$3,739,076 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2015	2014
General obligation bonds/note	\$ 2,652,598	2,843,365
Revenue bonds	585,000	630,000
Loan agreements	50,619	264,109
Lease-purchase agreements	7,159	1,602
Total	\$ 3,295,376	3,739,076

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 \$2,562,730 (\$2,710,376, less \$147,646 cash on hand in the Debt Service and the Special Revenue, Urban Renewal Tax Increment Funds) is below its constitutional debt limit of approximately \$9 million.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous factors were taken into account when adopting the budget for fiscal year 2016. For the first time in five years, the City Council decided to increase the property tax levy for fiscal year 2016 from \$12.04/thousand dollars of taxable value to \$12.59/thousand dollars of taxable value. The increase was made to accommodate the implementation of the City's capital improvement plan.

Despite the inclusion of the capital improvement plan funding in the fiscal year 2016 budget, amounts available for appropriation in the fiscal year 2016 operating budget are \$3,988,856, a decrease of 4.6% from the final fiscal year 2015 budget. Budgeted disbursements are \$4,221,879, an expected decrease of 15.5%.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of West Branch

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 835,978	26,666	111,054	-
Public works	609,663	56,260	247,447	-
Culture and recreation	571,811	60,406	44,972	-
Community and economic development	147,241	-	-	-
General government	231,897	5,729	-	-
Debt service	468,291	-	-	-
Capital projects	6,798	-	-	67,500
Total governmental activities	2,871,679	149,061	403,473	67,500
Business type activities:				
Water	451,583	449,471	-	-
Sewer	303,245	307,783	-	-
Storm water	19,666	35,427	-	-
Total business type activities	774,494	792,681	-	-
Total Primary Government	\$ 3,646,173	941,742	403,473	67,500
Component Units:				
Friends of the West Branch Public Library	\$ 1,716	-	3,430	-
West Branch Firefighters	55,816	-	70,049	-
Total component units	\$ 57,532	-	73,479	-
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Commercial/industrial tax replacement				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Krouth principal				
Expendable:				
Civic center				
Streets				
Employee benefits				
Fire				
Dog park				
Library				
Revolving loan program				
Debt service				
Capital projects				
Customer deposits				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
Primary Government			Component Units	
Governmental Activities	Business Type Activities	Total	Friends of the West Branch Public Library	West Branch Firefighters
(698,258)	-	(698,258)		
(305,956)	-	(305,956)		
(466,433)	-	(466,433)		
(147,241)	-	(147,241)		
(226,168)	-	(226,168)		
(468,291)	-	(468,291)		
60,702	-	60,702		
<u>(2,251,645)</u>	<u>-</u>	<u>(2,251,645)</u>		
-	(2,112)	(2,112)		
-	4,538	4,538		
-	15,761	15,761		
-	18,187	18,187		
<u>(2,251,645)</u>	<u>18,187</u>	<u>(2,233,458)</u>		
			1,714	-
			-	14,233
			<u>1,714</u>	<u>14,233</u>
1,337,730	-	1,337,730	-	-
199,392	-	199,392	-	-
215	-	215	-	-
43,525	-	43,525	-	-
173,221	-	173,221	-	-
3,401	-	3,401	772	5
129,301	-	129,301	-	-
126,698	(126,698)	-	-	-
<u>2,013,483</u>	<u>(126,698)</u>	<u>1,886,785</u>	<u>772</u>	<u>5</u>
(238,162)	(108,511)	(346,673)	2,486	14,238
<u>1,830,670</u>	<u>428,686</u>	<u>2,259,356</u>	<u>53,549</u>	<u>24,404</u>
<u>\$ 1,592,508</u>	<u>320,175</u>	<u>1,912,683</u>	<u>56,035</u>	<u>38,642</u>
\$ 107,399	-	107,399	-	-
51,158	-	51,158	-	-
13,672	-	13,672	-	-
105,232	-	105,232	-	-
34,810	-	34,810	-	-
145,755	-	145,755	-	38,642
1,796	-	1,796	-	-
24,358	-	24,358	56,035	-
68,287	-	68,287	-	-
147,646	6,633	154,279	-	-
81,385	-	81,385	-	-
-	9,300	9,300	-	-
<u>811,010</u>	<u>304,242</u>	<u>1,115,252</u>	<u>-</u>	<u>-</u>
<u>\$ 1,592,508</u>	<u>320,175</u>	<u>1,912,683</u>	<u>56,035</u>	<u>38,642</u>

City of West Branch

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

As of and for the year ended June 30, 2015

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 1,181,146	-	-
Tax increment financing	-	-	215
Other city tax	-	-	-
Licenses and permits	54,892	-	-
Use of money and property	5,293	-	-
Intergovernmental	167,260	241,447	-
Charges for service	94,935	-	-
Miscellaneous	137,885	-	-
Total receipts	1,641,411	241,447	215
Disbursements:			
Operating:			
Public safety	768,856	-	-
Public works	345,707	244,770	-
Culture and recreation	492,429	-	-
Community and economic development	147,241	-	-
General government	218,086	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,972,319	244,770	-
Excess (deficiency) of receipts over (under) disbursements	(330,908)	(3,323)	215
Other financing sources (uses):			
Transfers in	135,723	-	-
Transfers out	(18,921)	-	(95,691)
Total other financing sources (uses)	116,802	-	(95,691)
Change in cash balances	(214,106)	(3,323)	(95,476)
Cash balances beginning of year	1,044,995	108,555	207,612
Cash balances end of year	\$ 830,889	105,232	112,136
Cash Basis Fund Balances			
Nonspendable:			
Cemetary perpetual care	\$ -	-	-
Krouth principal	-	-	-
Restricted for:			
Civic center	13,672	-	-
Streets	-	105,232	-
Employee benefits	-	-	-
Fire	-	-	-
Dog park	-	-	-
Library	6,207	-	-
Revolving loan program	-	-	-
Debt service	-	-	112,136
Capital projects	-	-	-
Unassigned	811,010	-	-
Total cash basis fund balances	\$ 830,889	105,232	112,136

See notes to financial statements.

Debt Service	Nonmajor	Total
199,392	156,584	1,537,122
-	-	215
-	173,221	173,221
-	-	54,892
-	691	5,984
5,644	71,938	486,289
-	-	94,935
-	16,276	154,161
205,036	418,710	2,506,819
-	67,122	835,978
-	19,186	609,663
-	79,382	571,811
-	-	147,241
-	13,811	231,897
468,291	-	468,291
-	6,798	6,798
468,291	186,299	2,871,679
(263,255)	232,411	(364,860)
264,725	18,921	419,369
-	(178,059)	(292,671)
264,725	(159,138)	126,698
1,470	73,273	(238,162)
34,040	435,468	1,830,670
35,510	508,741	1,592,508
-	107,399	107,399
-	51,158	51,158
-	-	13,672
-	-	105,232
-	34,810	34,810
-	145,755	145,755
-	1,796	1,796
-	18,151	24,358
-	68,287	68,287
35,510	-	147,646
-	81,385	81,385
-	-	811,010
35,510	508,741	1,592,508

Exhibit C

City of West Branch

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

As of and for the year ended June 30, 2015

	Enterprise			Total
	Water	Sewer	Storm Water	
Operating receipts:				
Charges for service	\$ 434,255	307,783	35,427	777,465
Miscellaneous	15,216	-	-	15,216
Total operating receipts	449,471	307,783	35,427	792,681
Operating disbursements:				
Business type activities	300,272	199,617	246	500,135
Excess of operating receipts over operating disbursements	149,199	108,166	35,181	292,546
Non-operating disbursements:				
Debt service	(65,475)	-	-	(65,475)
Capital projects	(85,836)	(103,628)	(19,420)	(208,884)
Total non-operating disbursements	(151,311)	(103,628)	(19,420)	(274,359)
Excess (deficiency) of receipts over (under) disbursements	(2,112)	4,538	15,761	18,187
Transfers out	(40,573)	(86,125)	-	(126,698)
Change in cash balances	(42,685)	(81,587)	15,761	(108,511)
Cash balances beginning of year	180,902	247,784	-	428,686
Cash balances end of year	\$ 138,217	166,197	15,761	320,175
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 6,633	-	-	6,633
Customer deposits	9,300	-	-	9,300
Unrestricted	122,284	166,197	15,761	304,242
Total cash basis fund balances	\$ 138,217	166,197	15,761	320,175

See notes to financial statements.

City of West Branch

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

As of and for the year ended June 30, 2015

	<u>Agency</u>
	<u>Flexible</u>
	<u>Benefits</u>
Additions:	
Employee contributions	\$ 3,785
Deductions:	
Medical reimbursements	<u>3,019</u>
Change in cash balance	766
Cash balance beginning of year	<u>538</u>
Cash balance end of year	<u><u>\$ 1,304</u></u>

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Units

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

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

Blended Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

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

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances

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

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 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) Bonds and Note Payable

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

Year Ending June 30,	General				Water		Total		Total
	Obligation Bonds/Note				Revenue Bonds				
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 160,000	40,190	36,841	9,828	46,000	17,550	242,841	67,568	310,409
2017	165,000	38,590	37,946	8,723	47,000	16,170	249,946	63,483	313,429
2018	165,000	36,940	39,084	7,584	48,000	14,760	252,084	59,284	311,368
2019	165,000	35,290	40,257	6,412	50,000	13,320	255,257	55,022	310,279
2020	170,000	33,475	41,464	5,204	51,000	11,820	262,464	50,499	312,963
2021-2025	905,000	129,270	132,006	7,998	282,000	35,040	1,319,006	172,308	1,491,314
2026-2030	410,000	60,520	-	-	61,000	1,830	471,000	62,350	533,350
2031-2032	185,000	8,400	-	-	-	-	185,000	8,400	193,400
Total	\$ 2,325,000	382,675	327,598	45,749	585,000	110,490	3,237,598	538,914	3,776,512

On March 5, 2013, the City issued \$2,730,000 of general obligation corporate purpose and refunding bonds to provide funds to pay the costs of constructing improvements to the municipal sanitary sewer, wastewater treatment and waterworks systems and to currently refund the outstanding balance of the City's 2005 general obligation bonds. The bonds bear interest at 2.07% per annum and mature on June 1, 2032. During fiscal year 2015, the City paid principal of \$155,000 and interest of \$41,740 on the bonds. The outstanding principal balance at June 30, 2015 was \$2,325,000.

On July 31, 2013, the City issued a \$400,000 general obligation property acquisition note to fund the purchase of land for future park space. The note bears interest at 3.0% per annum and matures on June 1, 2023. During fiscal year 2015, the City paid principal of \$35,767 and interest of \$10,901 on the note. The outstanding principal balance at June 30, 2015 was \$327,598.

On June 2, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$860,000 of water revenue bonds with an interest rate of 3.0% per annum. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2015, the City paid principal of \$41,000 and interest of \$17,280 on the bonds. The outstanding principal balance at June 30, 2015 was \$535,000.

On April 5, 2007, the City entered into an agreement with the Iowa Finance Authority and Wells Fargo Bank, N.A. for the issuance of \$83,000 of water revenue bonds with an interest rate of 3.0% per annum. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2015, the City paid principal of \$4,000 and interest of \$1,620 on the bonds. The outstanding principal balance at June 30, 2015 was \$50,000.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds issued in June 2005 and April 2007. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 43% of net receipts. The total principal and interest remaining to be paid on the two bond issues is \$695,490. For the current year, total principal and interest paid on the water revenue bonds was \$63,900 and total customer net receipts were \$149,199.

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

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

(4) Loan Agreement

On August 5, 2008, the City entered into a loan agreement with a local bank, not to exceed \$197,500, to provide funds for a lawsuit settlement. The loan bears interest at 4.50% per annum and is payable through fiscal year 2020. During the year ended June 30, 2015, the City paid principal of \$39,795 and interest of \$7,958 on the loan. The outstanding principal balance on the loan at June 30, 2015 was \$50,619. In November 2015, the City paid this balance in full.

(5) Lease-Purchase Agreement

On December 17, 2014, the City entered into an agreement to lease a copier at a total cost of \$8,253. The following is a schedule of the future minimum lease payments, including interest at 3.49% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2015:

Year ending June 30,	Amount
2016	\$ 2,902
2017	2,902
2018	1,693
Total minimum lease payments	7,497
Less amount representing interest	(338)
Present value of net minimum lease payments	<u>\$ 7,159</u>

During the year ended June 30, 2015, the City made principal payments of \$1,094 and interest payments of \$114 on this capital lease.

(6) 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 benefits 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%. 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%. 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 \$66,992.

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 \$275,609. 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 0.006950%, which was a decrease of 0.000326% 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 \$26,849, \$17,215 and \$159,547, 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 (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability (asset) 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)	\$ 630,780	\$ 275,609	\$ (24,081)

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.

(7) Compensated Absences

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

Employees eligible for retirement will receive either one-half or one-quarter of their accumulated sick leave balance, dependent on the date they were hired. No employees were eligible for sick leave benefits at June 30, 2015.

The City's approximate liability for earned vacation payable to employees at June 30, 2015, primarily relating to the General Fund, was approximately \$51,000. This liability has been computed based on rates of pay in effect at June 30, 2015.

(8) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 58,304
	Local Option Sales Tax	4,778
	Revolving Loan	72,641
		<u>135,723</u>
Special Revenue:		
Krouth	General	1,349
Revolving Loan	General	10,774
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	37,387
	Local Option Sales Tax	100,640
	Enterprise:	
	Water	40,573
	Sewer	86,125
		<u>264,725</u>
Capital Projects	General	6,798
Total		<u>\$ 419,369</u>

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

(9) Interfund Loan

On May 5, 2014, the City approved a \$100,000 loan from the General Fund to the Special Revenue, Urban Renewal Tax Increment (TIF) Fund for administration and legal costs associated with planning, authorizing and carrying out an urban renewal project. The loan is interest free and will be repaid from incremental property tax receipts. During the year ended June 30, 2015, the TIF Fund repaid \$58,304 of the loan, leaving an outstanding balance of \$41,696 at June 30, 2015.

(10) Development Agreement

In May 2015, the City entered into a development agreement with Casey's Marketing Company (Caseys). Under the agreement, Caseys agreed to construct a convenience store with gasoline sales facilities in return for economic development tax increment payments from the City. The total to be paid by the City under the agreement is not to exceed \$561,349. At June 30, 2015, no payments had been made under the agreement.

(11) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$9,859.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

(12) Revolving Loan Fund

In 2001, the City established a revolving loan fund (RLF) to provide loans to promote economic development within the City. The RLF was established with proceeds from an economic development set-aside grant. In June 2011, the City entered into an administrative agreement with Main Street West Branch, Inc. to administer the City's RLF. Pursuant to the agreement, the balance of set-aside grant funds held by the City was remitted to Main Street West Branch, Inc. to be maintained in accounts separate from other Main Street West Branch, Inc. activity. Main Street West Branch, Inc. reviews all loan applications, awards loans based on criteria established by the City and collects and records all loan repayments. The City retains ownership of these funds and, accordingly, activity of the RLF is included in the City's financial statements in the Special Revenue, Revolving Loan Fund. At June 30, 2015, active loans made during the year had an outstanding balance of \$70,748, consisting of \$19,157 for loans to individual property owners and \$51,591 for a loan to the City.

(13) Litigation

The City is a defendant in a lawsuit and on December 17, 2015 received a judgement making the City liable for \$494,924, plus potential interest at 2.7% per annum, if interest is awarded. The City is appealing the judgement but is in the process of securing a letter of credit for \$750,000 in the event the City loses the appeal.

(14) Subsequent Event

On August 3, 2015, the City approved the issuance of \$855,000 of general obligation corporate purpose bonds for street repairs and improvements and for water system, sanitary sewer system, sidewalk, storm water drainage, lighting and signalization improvements. The bonds are payable from a continuing annual levy of property tax against all taxable property in the City.

City of West Branch

Other Information

City of West Branch
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 1,537,122	-	-	1,537,122
Tax increment financing	215	-	-	215
Other city tax	173,221	-	-	173,221
Licenses and permits	54,892	-	-	54,892
Use of money and property	5,984	-	-	5,984
Intergovernmental	486,289	-	-	486,289
Charges for service	94,935	777,465	-	872,400
Miscellaneous	154,161	15,216	171	169,206
Total receipts	2,506,819	792,681	171	3,299,329
Disbursements:				
Public safety	835,978	-	-	835,978
Public works	609,663	-	-	609,663
Culture and recreation	571,811	-	9,819	561,992
Community and economic development	147,241	-	-	147,241
General government	231,897	-	-	231,897
Debt service	468,291	-	-	468,291
Capital projects	6,798	-	-	6,798
Business type activities	-	774,494	-	774,494
Total disbursements	2,871,679	774,494	9,819	3,636,354
Excess (deficiency) of receipts over (under) disbursements	(364,860)	18,187	(9,648)	(337,025)
Other financing sources, net	126,698	(126,698)	-	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(238,162)	(108,511)	(9,648)	(337,025)
Balances beginning of year	1,830,670	428,686	11,444	2,247,912
Balances end of year	\$ 1,592,508	320,175	1,796	1,910,887

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
1,554,151	1,554,151	(17,029)
-	-	215
181,217	181,217	(7,996)
62,000	62,000	(7,108)
5,900	5,900	84
435,909	503,409	(17,120)
958,253	1,034,453	(162,053)
43,100	121,639	47,567
3,240,530	3,462,769	(163,440)
646,161	1,010,889	174,911
594,816	654,491	44,828
624,577	632,577	70,585
100,867	164,325	17,084
200,935	240,935	9,038
304,213	468,298	7
184,312	251,812	245,014
985,216	858,518	84,024
3,641,097	4,281,845	645,491
(400,567)	(819,076)	482,051
-	-	-
(400,567)	(819,076)	482,051
1,802,022	1,861,316	386,596
1,401,455	1,042,240	868,647

City of West Branch

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 Agency Fund and the component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$640,748. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

City of West Branch

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	0.006950%
City's proportionate share of the net pension liability	\$ 276
City's covered-employee payroll	\$ 671
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.13%
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 Branch

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>
Statutorily required contribution	\$ 67	62	55
Contributions in relation to the statutorily required contribution	<u>(67)</u>	<u>(62)</u>	<u>(55)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 727	671	598
Contributions as a percentage of covered-employee payroll	9.22%	9.24%	9.20%

See accompanying independent auditor's report.

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
42	46	43	35
<u>(42)</u>	<u>(46)</u>	<u>(43)</u>	<u>(35)</u>
-	-	-	-
<hr/> <hr/>			
592	611	563	502
7.09%	7.53%	7.64%	6.97%

City of West Branch

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 Branch

Supplementary Information

City of West Branch

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

As of and for the year ended June 30, 2015

	Special Revenue			
	Local			Krouth
	Employee Benefits	Option Sales Tax	West Branch Dog Park	
Receipts:				
Property tax	\$ 156,584	-	-	-
Other city tax	-	173,221	-	-
Use of money and property	-	-	-	46
Intergovernmental	4,438	-	-	-
Miscellaneous	-	-	171	-
Total receipts	161,022	173,221	171	46
Disbursements:				
Operating:				
Public safety	67,122	-	-	-
Public works	19,186	-	-	-
Culture and recreation	69,563	-	9,819	-
General government	13,811	-	-	-
Capital projects	-	-	-	-
Total disbursements	169,682	-	9,819	-
Excess (deficiency) of receipts over (under) disbursements	(8,660)	173,221	(9,648)	46
Other financing sources (uses):				
Transfers in	-	-	-	1,349
Transfers out	-	(105,418)	-	-
Total other financing sources (uses)	-	(105,418)	-	1,349
Change in cash balances	(8,660)	67,803	(9,648)	1,395
Cash balances beginning of year	43,470	77,952	11,444	16,756
Cash balances end of year	\$ 34,810	145,755	1,796	18,151
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
Krouth principal	-	-	-	-
Restricted for:				
Employee benefits	34,810	-	-	-
Fire	-	145,755	-	-
Dog park	-	-	1,796	-
Library	-	-	-	18,151
Revolving loan program	-	-	-	-
Capital projects	-	-	-	-
Total cash basis fund balances	\$ 34,810	145,755	1,796	18,151

See accompanying independent auditor's report.

Revolving Loan	Capital Projects	Permanent Cemetery		Total
		Krouth Principal	Perpetual Care	
-	-	-	-	156,584
-	-	-	-	173,221
338	-	306	1	691
-	67,500	-	-	71,938
-	13,885	-	2,220	16,276
338	81,385	306	2,221	418,710
-	-	-	-	67,122
-	-	-	-	19,186
-	-	-	-	79,382
-	-	-	-	13,811
-	6,798	-	-	6,798
-	6,798	-	-	186,299
338	74,587	306	2,221	232,411
10,774	6,798	-	-	18,921
(72,641)	-	-	-	(178,059)
(61,867)	6,798	-	-	(159,138)
(61,529)	81,385	306	2,221	73,273
129,816	-	50,852	105,178	435,468
68,287	81,385	51,158	107,399	508,741
-	-	-	107,399	107,399
-	-	51,158	-	51,158
-	-	-	-	34,810
-	-	-	-	145,755
-	-	-	-	1,796
-	-	-	-	18,151
68,287	-	-	-	68,287
-	81,385	-	-	81,385
68,287	81,385	51,158	107,399	508,741

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/note:			
Corporate purpose and refunding bonds	Mar 5, 2013	1.00-3.00%	\$ 2,730,000
Property acquisition note	Jul 31, 2013	3.00	400,000
Total			
Revenue bonds:			
Water	Jun 2, 2005 *	3.00%	\$ 860,000
Water	Apr 5, 2007 *	3.00	83,000
Total			
Loan agreements:			
Lawsuit settlement	Aug 5, 2008	4.50%	\$ 197,500
Fire station	May 26, 2011	3.25	376,700
Equipment	Feb 5, 2013	1.75	149,364
Total			
Lease-purchase agreements:			
Lanier copier	Dec 15, 2010	13.93%	\$ 9,300
Lanier copier	Dec 17, 2014	3.49	8,253
Total			

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,480,000	-	155,000	2,325,000	41,740
363,365	-	35,767	327,598	10,901
<u>\$ 2,843,365</u>	<u>-</u>	<u>190,767</u>	<u>2,652,598</u>	<u>52,641</u>
576,000	-	41,000	535,000	17,280
54,000	-	4,000	50,000	1,620
<u>\$ 630,000</u>	<u>-</u>	<u>45,000</u>	<u>585,000</u>	<u>18,900</u>
90,414	-	39,795	50,619	7,958
99,013	-	99,013	-	1,628
74,682	-	74,682	-	1,307
<u>\$ 264,109</u>	<u>-</u>	<u>213,490</u>	<u>50,619</u>	<u>10,893</u>
1,602	-	1,602	-	12
-	8,253	1,094	7,159	114
<u>\$ 1,602</u>	<u>8,253</u>	<u>2,696</u>	<u>7,159</u>	<u>126</u>

City of West Branch
Bond and Note Maturities
June 30, 2015

Year Ending June 30,	General Obligation Bonds/Note					Total
	Corporate Purpose and Refunding Bonds		Property Acquisition Note			
	Issued Mar 5, 2013		Issued Jul 31, 2013			
	Interest Rates	Amount	Interest Rates		Amount	
2016	1.00%	\$ 160,000	3.00%	\$ 36,841	196,841	
2017	1.00	165,000	3.00	37,946	202,946	
2018	1.00	165,000	3.00	39,084	204,084	
2019	1.10	165,000	3.00	40,257	205,257	
2020	1.25	170,000	3.00	41,464	211,464	
2021	1.40	175,000	3.00	42,708	217,708	
2022	1.55	175,000	3.00	43,989	218,989	
2023	1.70	180,000	3.00	45,309	225,309	
2024	1.85	185,000		-	185,000	
2025	2.00	190,000		-	190,000	
2026	2.30	80,000		-	80,000	
2027	2.30	80,000		-	80,000	
2028	2.50	80,000		-	80,000	
2029	2.50	85,000		-	85,000	
2030	3.00	85,000		-	85,000	
2031	3.00	90,000		-	90,000	
2032	3.00	95,000		-	95,000	
Total		<u>\$ 2,325,000</u>		<u>\$ 327,598</u>	<u>2,652,598</u>	

See accompanying independent auditor's report

City of West Branch

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

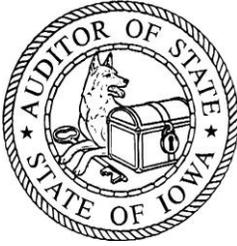
For the Last Ten Years

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 1,537,122	1,559,380	1,329,716	1,157,867
Tax increment financing	215	36,912	97,387	374,400
Other city tax	173,221	147,596	166,392	112,030
Licenses and permits	54,892	65,481	60,216	47,563
Use of money and property	5,984	6,817	7,083	10,027
Intergovernmental	486,289	394,359	381,215	427,391
Charges for service	94,935	97,863	83,971	71,122
Miscellaneous	154,161	216,635	153,030	178,850
Total	\$ 2,506,819	2,525,043	2,279,010	2,379,250
Disbursements:				
Operating:				
Public safety	\$ 835,978	556,440	495,520	461,258
Public works	609,663	480,201	706,656	573,811
Culture and recreation	571,811	925,633	457,409	499,060
Community and economic development	147,241	85,428	21,250	484,467
General government	231,897	198,704	221,738	252,766
Debt service	468,291	340,488	1,650,192	210,283
Capital projects	6,798	-	-	252,978
Total	\$ 2,871,679	2,586,894	3,552,765	2,734,623

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
1,035,262	1,053,701	951,189	826,020	829,292	638,204
963,646	656,110	671,841	529,777	530,449	600,430
-	27,102	30,656	57,272	24,446	94,710
51,699	28,952	38,155	37,783	152,068	22,731
14,338	18,138	22,468	56,450	57,214	36,688
357,947	543,714	601,917	3,468,113	315,187	297,628
68,253	81,074	62,696	54,345	51,555	48,531
97,210	113,503	142,451	441,900	180,807	241,825
<u>2,588,355</u>	<u>2,522,294</u>	<u>2,521,373</u>	<u>5,471,660</u>	<u>2,141,018</u>	<u>1,980,747</u>
553,784	761,338	568,777	450,250	450,128	761,810
427,260	425,684	598,898	1,189,970	947,954	311,379
397,686	357,108	343,912	266,101	268,101	216,177
971,569	682,578	666,570	2,509,495	9,790	10,215
183,459	198,461	354,240	183,185	193,989	157,507
125,157	125,628	125,000	654,723	655,999	699,851
128,745	-	-	146,273	133,368	-
<u>2,787,660</u>	<u>2,550,797</u>	<u>2,657,397</u>	<u>5,399,997</u>	<u>2,659,329</u>	<u>2,156,939</u>

City of West Branch



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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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 10, 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 Branch's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Branch's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Branch's internal control.

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

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

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

Compliance and Other Matters

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

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

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Branch during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 10, 2016

City of West Branch
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. When duties are properly segregated, the activities of one employee act as a check on those of another. For the City, one individual has control over each of the following areas:
- (1) Receipts – collecting, depositing, posting and reconciling.
 - (2) Payroll – entering timesheets and processing and distributing payroll with no independent review of payroll journals.
 - (3) Journal entries – initiating and posting with no independent review.

Although the City prepares monthly bank reconciliations, the June 30, 2015 reconciliation was missing and the recreated reconciliation had no evidence of review by an independent person.

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

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

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

Responses –

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

West Branch Firefighters – Staff agree with this finding and will work to implement suggestions contained within the recommendation.

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

Conclusion – Responses accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2015

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

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

Response – The City will address this issue by exercising its right under section 8 of the revolving loan fund agreement to terminate the agreement with the organization. The organization will be required to deliver all money on deposit in the revolving loan fund to the City and assign all existing loans to the City. City staff will account for these funds in a newly created fund.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – The City did not reconcile utility billings, collections and delinquent accounts for the first five months of the fiscal year. In addition, there is no independent review of the reconciliations and delinquent accounts.

Recommendation – Procedures should be established to ensure utility reconciliations are prepared. Review and approval of the reconciliations and delinquent accounts should be performed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of the review.

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

Conclusion – Response accepted.

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

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

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

Conclusion – Response accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2015

- (E) Credit Card Charges – While the City has adopted a written credit card policy requiring original receipts and an explanation of the official business purpose for credit card charges, certain credit card charges by the Library were not supported by original receipts and did not include an explanation of the official business purpose.

Recommendation – All credit card charges should be supported by original receipts and an explanation of the official business purpose as required by City policy.

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Branch
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 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Hosier, Volunteer Assistant Fire Chief, Owner of Parkside Service	Tires and tire repair	\$ 1,603
Mark Worrell, Mayor, Owner of Big Timber Excavating and Grading, Inc.	Culvert maintenance	5,573
Kevin Stoolman, Volunteer Fire Chief, Owner of West Branch Repairs	Vehicle repair	6,241

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the transactions with Parkside Service and West Branch Repairs do not represent a conflict of interest since the contracts were with volunteer fire fighters.

In accordance with Chapter 362.5(3)(k), the transactions with Big Timber Excavating and Grading, Inc. may represent a conflict of interest since total transactions exceeded \$2,500 during the fiscal year and only a portion of the transactions were competitively bid.

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

Response – The transactions with Big Timber Excavating and Grading, Inc. consist of a project that was done in two phases. The first phase of the project was below the bidding threshold and at that time the second phase was not anticipated to be completed immediately. When the Council decided to begin the second phase, bids were solicited and Big Timber was the lowest bidder.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of West Branch

Schedule of Findings

Year ended June 30, 2015

- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

City of West Branch

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Robert E. Fisher, Assistant Auditor
Joseph B. Sparks, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State