



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

June 29, 2017

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$3,305,008 for the year ended June 30, 2016, a 10% decrease from the prior year. The receipts included \$1,067,765 from property tax and other city tax, \$62,724 from tax increment financing, \$1,121,199 from charges for service, \$596,477 from operating grants, contributions and restricted interest, \$131,056 from capital grants, contributions and restricted interest, \$189,681 from local option sales tax, \$5,698 from unrestricted interest on investments, \$125,617 from commercial/industrial tax replacement and \$4,791 from other general receipts.

Disbursements for the year ended June 30, 2016 totaled \$3,372,062, a 10% increase over the prior year, and included \$610,797 for public safety, \$517,881 for capital projects, \$448,892 for culture and recreation and \$442,371 for public works. Also, disbursements for business type activities totaled \$715,695.

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/1620-0322-B00F>.

###



**CITY OF WEST UNION**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2016**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		21-31
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		34-35
Notes to Other Information – Budgetary Reporting		36
Schedule of the City’s Proportionate Share of the Net Pension Liability		37
Schedule of City Contributions		38-39
Notes to Other Information – Pension Liability		40
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	42-43
Schedule of Indebtedness	2	44-45
Bond Maturities	3	47
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	48-49
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		51-52
Schedule of Findings		53-59
Staff		60

**City of West Union**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kent Halverson	Mayor	Jan 2016
Cameron Granger	Council Member	Nov 2015
Cathy Bemiss	Council Member	Jan 2016
Kennon Gumm	Council Member	Jan 2016
Adam Keller	Council Member	Jan 2018
Isaiah Stansbery	Council Member	Jan 2018
Teresa Pape	City Clerk/Administrator	Indefinite
Amie Johansen	Deputy City Clerk	Indefinite
Jeremiah White	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kent Halverson	Mayor	Jan 2018
Adam Keller	Council Member	Jan 2018
Isaiah Stansbery	Council Member	Jan 2018
Cameron Granger	Council Member	Jan 2020
Kennon Gumm	Council Member	Jan 2020
Andrew Smith	Council Member	Jan 2020
Teresa Pape	City Clerk/Administrator	Indefinite
Amie Johansen	Deputy City Clerk	Indefinite
Jeremiah White	Attorney	Indefinite

**City of West Union**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union as of June 30, 2016, 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.

Other Matters

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Union’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the four years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and cash disbursements. The supplementary information included in Schedules 1 through 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 40, 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 June 23, 2017 on our consideration of the City of West Union’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Union’s internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

June 23, 2017

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The City of West Union provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 13.4%, or approximately \$392,000, from fiscal year 2015 to fiscal year 2016. Capital grants, contributions and restricted interest decreased approximately \$450,000 while operating grants, contributions and restricted interest increased approximately \$123,000. Capital grants, contributions and restricted interest decreased as a result of reduced state and federal receipts compared to fiscal year 2015.
- Disbursements of the City's governmental activities increased 9.5%, or approximately \$230,000, in fiscal year 2016 from fiscal year 2015. Public safety, community and economic development and capital projects disbursements increased approximately \$115,000, \$161,000 and \$55,000, respectively, while culture and recreation disbursements decreased approximately \$97,000.
- The City's total cash basis net position decreased 2.4%, or approximately \$67,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities decreased approximately \$120,000 and the cash basis net position of the business type activities increased approximately \$53,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

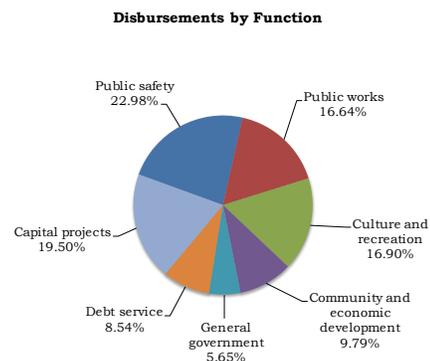
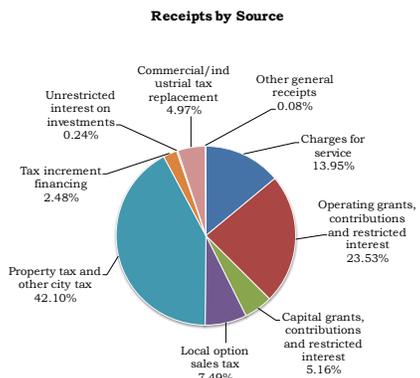
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2,164,000 to approximately \$2,044,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
<b>Receipts:</b>		
<b>Program receipts:</b>		
Charges for service	\$ 354	402
Operating grants, contributions and restricted interest	597	474
Capital grants, contributions and restricted interest	131	581
<b>General receipts:</b>		
Property tax and other city tax	1,068	1,076
Tax increment financing	63	113
Local option sales tax	190	206
Unrestricted interest on investments	6	7
Commercial/industrial tax replacement	126	63
Other general receipts	2	7
<b>Total receipts</b>	<b>2,537</b>	<b>2,929</b>
<b>Disbursements:</b>		
Public safety	611	496
Public works	442	456
Culture and recreation	449	546
Community and economic development	260	99
General government	150	142
Debt service	227	225
Capital projects	518	463
<b>Total disbursements</b>	<b>2,657</b>	<b>2,427</b>
<b>Change in cash basis net position</b>	<b>(120)</b>	<b>502</b>
<b>Cash basis net position beginning of year</b>	<b>2,164</b>	<b>1,662</b>
<b>Cash basis net position end of year</b>	<b>\$ 2,044</b>	<b>2,164</b>



The City's total receipts for governmental activities decreased 13.4%, or approximately \$392,000. The total cost of all programs and services increased approximately \$230,000, or 9.5%, with no new programs added this year. The decrease in receipts was primarily the result of fewer state and federal grants received. The increase in disbursements was primarily due to revolving loan funds being disbursed beginning in fiscal year 2016.

The cost of all governmental activities this year was approximately \$2.657 million compared to approximately \$2.427 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$1,574,374 because some of the cost was paid by those directly benefited from the programs (\$354,460) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$727,533). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2016 from approximately \$1,457,000 to approximately \$1,082,000. This was primarily due to reduced state and federal grants for the Revitalize Iowa's Sound Economy (RISE) and Community Development Block Grant (CDBG) projects in fiscal year 2016.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 391	382
Sewer	375	363
General receipts:		
Other general receipts	3	3
Total receipts	769	748
Disbursements:		
Water	348	336
Sewer	367	315
Total disbursements	715	651
Change in cash basis net position	54	97
Cash basis net position beginning of year	670	573
Cash basis net position end of year	\$ 724	670

Total business type activities receipts for the fiscal year were approximately \$769,000 compared to approximately \$748,000 last year. Total disbursements increased to approximately \$715,000 from approximately \$651,000 in the prior year. The increase in disbursements was primarily due to construction of recirculation valves at the wastewater treatment plan in fiscal year 2016. The cash balance increased approximately \$54,000 over the prior year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of West Union completed the year, its governmental funds reported a combined fund balance of approximately \$2,044,000, a decrease of approximately \$120,000 below last year's total of approximately \$2,164,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$43,302 from the prior year balance of \$765,907. Total receipts decreased approximately \$61,000 compared to the prior year. Disbursements increased approximately \$87,000 over the prior year, primarily due to the payment of revolving loan funds to businesses within the City.
- At the end of the fiscal year, the Special Revenue, Road Use Tax Fund cash balance was \$287,945, an increase of approximately \$91,000 over the previous year. Road use tax receipts increased approximately \$49,000 and disbursements decreased approximately \$24,000.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$3,424 to \$250,650. Receipts were approximately \$42,000 less than in the prior fiscal year and disbursements were approximately \$24,000 more than in fiscal year 2015.
- The Capital Projects Fund cash balance decreased approximately \$211,000 from the prior year. Total receipts decreased approximately \$450,000 compared to the prior year, primarily due to Revitalize Iowa's Sound Economy (RISE) and Community Development Block Grant (CDBG) funding ending in the prior year. Disbursements increased approximately \$55,000 over the prior year.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$42,879 to \$383,085.
- The Enterprise, Sewer Fund cash balance increased \$10,499 to \$340,529.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 16, 2016 and resulted in an increase in budgeted operating disbursements to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$316,392 more than budgeted. This was primarily due to the City receiving more in intergovernmental receipts than budgeted.

Total disbursements were \$284,819 less than the amended budget. Actual disbursements for the public works and culture and recreation functions were \$297,948 and \$117,269, respectively, less than the amended budget. However, even with the budget amendment, actual disbursements for the community and economic development and capital projects functions were \$159,319 and \$97,381, respectively, more than the amended budget. This was due to unanticipated expenses occurring subsequent to the budget amendment.

## DEBT ADMINISTRATION

At June 30, 2016, the City had approximately \$2,825,000 of bonds and other long-term debt outstanding, compared to approximately \$3,068,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2016	2015
General obligation bonds	\$ 1,845	2,015
Revenue bonds	950	995
Lease purchase agreement	30	58
Total	\$ 2,825	3,068

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

The City continues to carry a general obligation bond rating of A assigned by Moody's Investors Service. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt, including TIF rebate agreements of \$1,093,507, is \$2,968,110, which is well below the statutory debt limit of approximately \$6,047,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of West Union's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Fayette County at June 2016 was 4.5%. This compares with the State's unemployment rate of 4.1% and the national rate of 4.9% as of the same time period.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are approximately \$3.8 million, an increase from the fiscal year 2016 budget. Budgeted disbursements are expected to decrease approximately \$96,000 from the fiscal year 2016 original budget. Public works disbursements alone are expected to decrease approximately \$186,435 from the fiscal year 2016 original budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$2,000 by the close of fiscal year 2017.

## 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 Nick McIntyre, City Administrator, 612 Highway 150 South, City of West Union, Iowa 52175.

## **Basic Financial Statements**

City of West Union

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 610,797	77,832	133,591	-
Public works	442,371	137,534	316,986	-
Culture and recreation	448,892	139,094	56,052	-
Community and economic development	259,619	-	89,848	-
General government	149,804	-	-	-
Debt service	227,003	-	-	-
Capital projects	517,881	-	-	131,056
Total governmental activities	2,656,367	354,460	596,477	131,056
Business type activities:				
Water	348,464	391,314	-	-
Sewer	367,231	375,425	-	-
Total business type activities	715,695	766,739	-	-
Total	\$ 3,372,062	1,121,199	596,477	131,056
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Commercial/industrial tax replacement				
Miscellaneous				
Sale of capital assets				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Cemetery				
Expendable:				
Urban renewal purposes				
Streets				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(399,374)	-	(399,374)
12,149	-	12,149
(253,746)	-	(253,746)
(169,771)	-	(169,771)
(149,804)	-	(149,804)
(227,003)	-	(227,003)
(386,825)	-	(386,825)
(1,574,374)	-	(1,574,374)
-	42,850	42,850
-	8,194	8,194
-	51,044	51,044
(1,574,374)	51,044	(1,523,330)
891,035	-	891,035
176,730	-	176,730
62,724	-	62,724
189,681	-	189,681
5,669	29	5,698
125,617	-	125,617
186	2,305	2,491
2,300	-	2,300
1,453,942	2,334	1,456,276
(120,432)	53,378	(67,054)
2,164,002	670,236	2,834,238
\$ 2,043,570	723,614	2,767,184
\$ 95,309	-	95,309
250,650	-	250,650
287,945	-	287,945
426,220	459,062	885,282
-	114,476	114,476
360,977	9,644	370,621
622,469	140,432	762,901
\$ 2,043,570	723,614	2,767,184

City of West Union

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

As of and for the year ended June 30, 2016

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 646,426	-	-
Tax increment financing	-	-	62,724
Other city tax	35,327	-	-
Local option sales tax	-	-	-
Licenses and permits	45,975	-	-
Use of money and property	33,800	-	-
Intergovernmental	205,803	307,218	8,671
Charges for service	245,801	-	-
Miscellaneous	30,469	-	-
Total receipts	1,243,601	307,218	71,395
Disbursements:			
Operating:			
Public safety	389,956	-	-
Public works	192,505	216,540	-
Culture and recreation	372,244	-	-
Community and economic development	191,599	-	67,971
General government	118,789	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,265,093	216,540	67,971
Excess (deficiency) of receipts over (under) disbursements	(21,492)	90,678	3,424
Other financing sources (uses):			
Sale of capital assets	2,300		
Transfers in	24,102	-	-
Transfers out	(48,212)	-	-
Total other financing sources (uses)	(21,810)	-	-
Change in cash balances	(43,302)	90,678	3,424
Cash balances beginning of year	765,907	197,267	247,226
Cash balances end of year	\$ 722,605	287,945	250,650
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	250,650
Streets	-	287,945	-
Capital projects	-	-	-
Other purposes	98,869	-	-
Assigned for:			
Library	59,520	-	-
Park	2,402	-	-
Cemetery	20,366	-	-
Unassigned	541,448	-	-
Total cash basis fund balances	\$ 722,605	287,945	250,650

See notes to financial statements.

Capital		
Projects	Nonmajor	Total
-	384,992	1,031,418
-	-	62,724
-	1,020	36,347
-	189,681	189,681
-	-	45,975
-	523	34,323
131,056	132,782	785,530
-	550	246,351
-	70,817	101,286
<u>131,056</u>	<u>780,365</u>	<u>2,533,635</u>
-	220,841	610,797
-	33,326	442,371
-	76,648	448,892
-	49	259,619
-	31,015	149,804
-	227,003	227,003
<u>517,881</u>	<u>-</u>	<u>517,881</u>
<u>517,881</u>	<u>588,882</u>	<u>2,656,367</u>
<u>(386,825)</u>	<u>191,483</u>	<u>(122,732)</u>
-	-	2,300
175,846	48,212	248,160
-	(199,948)	(248,160)
<u>175,846</u>	<u>(151,736)</u>	<u>2,300</u>
<u>(210,979)</u>	<u>39,747</u>	<u>(120,432)</u>
<u>637,199</u>	<u>316,403</u>	<u>2,164,002</u>
<u>426,220</u>	<u>356,150</u>	<u>2,043,570</u>
-	95,309	95,309
-	-	250,650
-	-	287,945
426,220	-	426,220
-	262,108	360,977
-	-	59,520
-	-	2,402
-	-	20,366
-	(1,267)	540,181
<u>426,220</u>	<u>356,150</u>	<u>2,043,570</u>

**City of West Union**

City of West Union

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

As of and for the year ended June 30, 2016

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 388,484	375,425	763,909
Miscellaneous	2,830	-	2,830
Total operating receipts	391,314	375,425	766,739
Operating disbursements:			
Business type activities	252,766	257,045	509,811
Excess of operating receipts over operating disbursements	138,548	118,380	256,928
Non-operating receipts (disbursements):			
Interest on investments	29	-	29
Miscellaneous	-	2,305	2,305
Debt service	(87,763)	-	(87,763)
Capital projects	(7,935)	(110,186)	(118,121)
Net non-operating receipts (disbursements)	(95,669)	(107,881)	(203,550)
Change in cash balances	42,879	10,499	53,378
Cash balances beginning of year	340,206	330,030	670,236
Cash balances end of year	\$ 383,085	340,529	723,614
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Capital projects	\$ 258,965	200,097	459,062
Debt service	114,476	-	114,476
Meter deposits	9,644	-	9,644
Unrestricted	-	140,432	140,432
Total cash basis fund balances	\$ 383,085	340,529	723,614

See notes to financial statements.

**City of West Union**

City of West Union

Notes to Financial Statements

June 30, 2016

**(1) Summary of Significant Accounting Policies**

The City of West Union is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of West Union (the primary government) and its component 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.

Blended Component Units

The West Union Volunteer Firefighters Incorporated has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate for charitable purposes to assist the West Union Community Fire Service. The Corporation is governed by not less than five nor more than ten members. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Corporation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

The Friends of the West Union Parks and Recreation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate for charitable purposes for the promotion of community improvement and to assist in completing projects for the betterment of the West Union Parks and Recreation. The Corporation is governed by a three member Board of Trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Corporation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board, Fayette County Solid Waste Management Commission, Fayette County Emergency Management Commission, Fayette County Joint E911 Service Board, Fayette County Economic Development Board, Upper Explorerland Regional Housing Authority and West Union Industrial Development Corporation.

The City also participates in the Fayette County Civic Plaza established pursuant to Chapter 28E of the Code of Iowa between the City of West Union and Fayette County.

### B. Basis of Presentation

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

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balances 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. \$438,643 is restricted by enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the community and economic development and capital projects functions.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2016 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. 72.

**(3) Bonds and Lease Payable**

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

Year Ending June 30,	General		Water		Total	
	Obligation Bonds		Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 175,000	53,443	50,000	40,700	225,000	94,143
2018	180,000	49,943	50,000	39,075	230,000	89,018
2019	190,000	45,803	50,000	37,450	240,000	83,253
2020	195,000	41,053	50,000	35,825	245,000	76,878
2021	205,000	35,690	55,000	34,200	260,000	69,890
2022-2026	900,000	76,960	305,000	138,337	1,205,000	215,297
2027-2031	-	-	390,000	61,762	390,000	61,762
Total	\$ 1,845,000	302,892	950,000	387,349	2,795,000	690,241

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,175,000 of water revenue bonds issued in August 2011. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 63% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,337,349. For the current year, principal and interest paid and total customer net receipts were \$87,163 and \$138,548, respectively.

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

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

Lease Purchase Agreement

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

Year ending			
June 30,	Principal	Interest	Total
2017	\$ 29,603	641	30,244

**(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service 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 – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of

14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$60,350.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$335,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the 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, 2015, the City's proportion was 0.006785%, which was an increase of 0.000247% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$36,789, \$90,307 and \$120,488, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an 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
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 699,733	335,221	27,686

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](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 15 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark Blue Cross and Blue Shield of Iowa. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$469 for single coverage and \$1,172 for family coverage for medical/prescription drug benefits. Currently, nine employees pay \$110 per month for family coverage health benefits while the other six do not pay a monthly amount for coverage. For the year ended June 30, 2016, the City contributed \$144,013 and plan members eligible for benefits contributed \$13,083 to the plan.

**(6) Employee Health/Dental/Vision Insurance Plan**

The City provides for a fully insured health benefit through Wellmark Blue Cross and Blue Shield of Iowa with a plan deductible of \$1,500 for single coverage and \$3,000 for family coverage. The employee is responsible for the first \$200 of the deductible for each eligible person, up to \$400 per family. The City subsidizes 60% of the remaining deductible.

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

The City pays employees for the eligible claims from the Special Revenue, Employee Benefits and the Enterprise, Water and Sewer Funds. During the year ended June 30, 2016, the City paid \$10,036 to employees for claims.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and floating holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and floating holiday hours payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 30,000
Floating holidays	<u>6,000</u>
Total	<u>\$ 36,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 24,102
Capital Projects	Special Revenue: Local Option Sales Tax	175,846
Special Revenue: Friends of the West Union Parks and Recreation	General	48,212
Total		<u>\$248,160</u>

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

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Rebate Agreements**

The City has entered into ten rebate agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the participating companies in exchange for the construction or improvement of buildings. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to 15 years beginning with the tax year in which the property tax on the completed value of the improvements are first paid. Certain agreements also require the company to certify specific employment requirements have been met. The total to be paid by the City under the agreements is not to exceed \$1,156,031. During the year ended June 30, 2016, the City rebated \$46,758 of incremental property tax to the participating companies.

The above agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limitation of the City.

One of the agreements is subject to an annual appropriation and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining nine agreements do not include annual appropriation clauses and, accordingly, the entire outstanding principal balance of these agreements is subject to the constitutional debt limitation.

**(11) City of West Union Revolving Loan Account**

The Revolving Loan Account was established with the General Fund during the year ended June 30, 2015. The purpose of the account is to promote economic development in the City of West Union. During the year ended June 30, 2015, the City contributed \$5,000 to the account and West Union Community Economic Development contributed \$75,000. During the year ended June 30, 2016, the City received a USDA Grant for \$79,500. The total of \$159,500 was subsequently loaned to businesses in the City.

Upon receipt of loan payments from the businesses, the funds remain in the Revolving Loan Account for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to the City. During the year ended June 30, 2016, the City made two new loans totaling \$159,500. The City also paid \$1,457 in administrative costs.

Outstanding loans receivable of the Revolving Loan Account at June 30, 2016 are as follows:

Loaned to	Date of Loan	Loan Amount	Interest Rate	Term of Loan	Balance June 30, 2016
Antiques and Gifts on Vine	April 14, 2016	\$ 79,750	4.5%	7 years	\$ 77,532
Dairy Queen	May 17, 2016	79,750	4.5	7 years	73,641
Total					<u>\$ 151,174</u>

**(12) Subsequent Events**

In April 5, 2017, the City issued \$560,000 of general obligation corporate purpose bonds, Series 2017 for the purpose of purchasing a fire pumper truck, purchasing land for the City’s sewer utility system and for improvements to the City Hall parking lot and sidewalks.

**(13) Deficit Balance**

The Debt Service Fund had a deficit balance of \$1,267 at June 30, 2016. The deficit balance is a result of debt payments being made without transfers in to cover the payments.

**(14) New Accounting Pronouncement**

The City of West Union adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

**City of West Union**

## **Other Information**

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

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,031,418	-	-
Tax increment financing	62,724	-	-
Other city tax	36,348	-	-
Local option sales tax	189,681	-	-
Licenses and permits	45,974	-	-
Use of money and property	34,323	29	36
Intergovernmental	785,530	-	88,990
Charges for service	246,351	763,909	-
Miscellaneous	101,286	5,135	70,817
Total receipts	2,533,635	769,073	159,843
<b>Disbursements:</b>			
Public safety	610,797	-	132,436
Public works	442,371	-	-
Culture and recreation	448,892	-	26,725
Community and economic development	259,619	-	-
General government	149,804	-	-
Debt service	227,003	-	-
Capital projects	517,881	-	-
Business type activities	-	715,695	-
Total disbursements	2,656,367	715,695	159,161
Excess (deficiency) of receipts over (under) disbursements	(122,732)	53,378	682
Other financing sources, net	2,300	-	48,212
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(120,432)	53,378	48,894
Balances beginning of year	2,164,002	670,236	43,066
Balances end of year	\$ 2,043,570	723,614	91,960

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,031,418	1,080,881	1,080,881	(49,463)
62,724	73,000	73,000	(10,276)
36,348	215,355	215,355	(179,007)
189,681	-	-	189,681
45,974	47,600	47,600	(1,626)
34,316	14,300	14,300	20,016
696,540	899,090	899,090	(202,550)
1,010,260	1,039,781	1,039,781	(29,521)
35,604	89,250	89,250	(53,646)
<u>3,142,865</u>	<u>3,459,257</u>	<u>3,459,257</u>	<u>(316,392)</u>
478,361	496,185	521,603	43,242
442,371	733,319	740,319	297,948
422,167	450,678	539,436	117,269
259,619	100,300	100,300	(159,319)
149,804	168,456	168,456	18,652
227,003	227,003	227,003	-
517,881	420,500	420,500	(97,381)
715,695	780,103	780,103	64,408
<u>3,212,901</u>	<u>3,376,544</u>	<u>3,497,720</u>	<u>284,819</u>
(70,036)	82,713	(38,463)	(31,573)
<u>(45,912)</u>	-	-	<u>(45,912)</u>
(115,948)	82,713	(38,463)	(77,485)
<u>2,791,172</u>	<u>2,132,922</u>	<u>2,132,922</u>	<u>658,250</u>
<u>2,675,224</u>	<u>2,215,635</u>	<u>2,094,459</u>	<u>580,765</u>

City of West Union

Notes to Other Information – Budgetary Reporting

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component 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, one budget amendment increased budgeted disbursements by \$121,176. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceed the amounts budgeted in the community and economic development and capital projects functions.

---

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

Iowa Public Employees' Retirement System  
For the Last Two Years\*  
(In Thousands)

Other Information

	2016	2015
City's proportion of the net pension liability	0.006785%	0.006538%
City's proportionate share of the net pension liability	\$ 335	259
City's covered-employee payroll	\$ 681	678
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.19%	38.20%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of West Union  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 60	63	63	59
Contributions in relation to the statutorily required contribution	(60)	(63)	(63)	(59)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 657	681	678	655
Contributions as a percentage of covered-employee payroll	9.13%	9.25%	9.29%	9.01%

\* City's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

---

2012	2011	2010	2009	2008	2007
53	45	46	40	36	36
(53)	(45)	(46)	(40)	(36)	(36)
-	-	-	-	-	-
620	589	*	*	*	*
8.55%	7.64%	*	*	*	*

City of West Union

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**Supplementary Information**

City of West Union

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

As of and for the year ended June 30, 2016

	Special Revenue			
	Employee Benefits	Local Option Sales Tax	West Union Volunteer Firefighters Incorporated	Friends of the West Union Parks and Recreation
Receipts:				
Property tax	\$ 208,719	-	-	-
Other city tax	563	-	-	-
Local option sales tax	-	189,681	-	-
Use of money and property	-	-	10	26
Intergovernmental	23,643	-	88,990	-
Charges for service	-	-	-	-
Miscellaneous	-	-	37,972	32,845
Total receipts	232,925	189,681	126,972	32,871
Disbursements:				
Operating:				
Public safety	88,405	-	132,436	-
Public works	33,326	-	-	-
Culture and recreation	49,923	-	-	26,725
Community and economic development	49	-	-	-
General government	31,015	-	-	-
Debt service	-	-	-	-
Total disbursements	202,718	-	132,436	26,725
Excess (deficiency) of receipts over (under) disbursements	30,207	189,681	(5,464)	6,146
Other financing sources (uses):				
Transfers in	-	-	-	48,212
Transfers out	-	(199,948)	-	-
Total other financing sources (uses)	-	(199,948)	-	48,212
Change in cash balances	30,207	(10,267)	(5,464)	54,358
Cash balances beginning of year	109,723	40,485	43,066	-
Cash balances end of year	\$ 139,930	30,218	37,602	54,358
<b>Cash Basis Fund Balances</b>				
Nonspendable - Cemetery	\$ -	-	-	-
Restricted for other purposes	139,930	30,218	37,602	54,358
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 139,930	30,218	37,602	54,358

See accompanying independent auditor's report.

Debt Service	Permanent		Total
	Cemetery Perpetual Care	Cemetery Mausoleum	
176,273	-	-	384,992
457	-	-	1,020
-	-	-	189,681
-	429	58	523
20,149	-	-	132,782
-	550	-	550
-	-	-	70,817
<u>196,879</u>	<u>979</u>	<u>58</u>	<u>780,365</u>
-	-	-	220,841
-	-	-	33,326
-	-	-	76,648
-	-	-	49
-	-	-	31,015
<u>227,003</u>	<u>-</u>	<u>-</u>	<u>227,003</u>
<u>227,003</u>	<u>-</u>	<u>-</u>	<u>588,882</u>
<u>(30,124)</u>	<u>979</u>	<u>58</u>	<u>191,483</u>
-	-	-	48,212
-	-	-	(199,948)
-	-	-	(151,736)
<u>(30,124)</u>	<u>979</u>	<u>58</u>	<u>39,747</u>
<u>28,857</u>	<u>83,761</u>	<u>10,511</u>	<u>316,403</u>
<u>(1,267)</u>	<u>84,740</u>	<u>10,569</u>	<u>356,150</u>
-	84,740	10,569	95,309
-	-	-	262,108
<u>(1,267)</u>	<u>-</u>	<u>-</u>	<u>(1,267)</u>
<u>(1,267)</u>	<u>84,740</u>	<u>10,569</u>	<u>356,150</u>

---

City of West Union  
Schedule of Indebtedness  
Year ended June 30, 2016

---

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Nov 3, 2010	0.75-3.50%	\$ 2,665,000
Revenue bonds:			
Water	Aug 16, 2011	3.25-5.25%	\$ 1,175,000
Lease purchase agreement:			
Police vehicles	Apr 22, 2013	2.88%	\$ 113,499

See accompanying independent auditor's report.

---

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,015,000	-	170,000	1,845,000	56,503
995,000	-	45,000	950,000	42,163
58,371	-	28,768	29,603	1,476

---

**City of West Union**

## City of West Union

## Bond Maturities

June 30, 2016

Year Ending June 30,	General Obligation Bonds		Water	
	Corporate Purpose, Series 2010		Revenue Bonds	
	Issued Nov 3, 2010		Issued Aug 16, 2011	
	Interest Rates	Amount	Interest Rates	Amount
2017	2.00%	\$ 175,000	3.25%	\$ 50,000
2018	2.30	180,000	3.25	50,000
2019	2.50	190,000	3.25	50,000
2020	2.75	195,000	3.25	50,000
2021	3.00	205,000	3.25	55,000
2022	3.10	210,000	4.00	55,000
2023	3.20	220,000	4.00	60,000
2024	3.30	230,000	4.00	60,000
2025	3.50	240,000	4.50	65,000
2026		-	4.50	65,000
2027		-	4.50	70,000
2028		-	5.00	75,000
2029		-	5.00	80,000
2030		-	5.25	80,000
2031		-	5.25	85,000
Total		<u>\$ 1,845,000</u>		<u>\$ 950,000</u>

See accompanying independent auditor's report.

City of West Union

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

For the Last Ten Years

	2016	2015	2014	2013
<b>Receipts:</b>				
Property tax	\$ 1,031,418	1,036,930	1,089,462	1,108,806
Tax increment financing	62,724	113,102	115,370	86,403
Other city tax	226,028	245,522	220,597	214,583
Licenses and permits	45,975	52,922	37,761	6,726
Use of money and property	34,323	19,167	18,404	23,112
Intergovernmental	785,530	935,486	1,700,053	3,203,699
Charges for service	246,351	230,800	228,464	212,999
Miscellaneous	101,286	295,499	120,294	132,805
<b>Total</b>	<b>\$ 2,533,635</b>	<b>2,929,428</b>	<b>3,530,405</b>	<b>4,989,133</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 610,797	495,766	455,640	415,650
Public works	442,371	455,923	434,144	448,580
Health and social services	-	-	-	-
Culture and recreation	448,892	545,930	659,739	568,297
Community and economic development	259,619	99,115	68,694	162,853
General government	149,804	142,686	161,434	146,692
Debt service	227,003	224,642	253,329	250,089
Capital projects	517,881	463,122	1,345,797	3,426,349
<b>Total</b>	<b>\$ 2,656,367</b>	<b>2,427,184</b>	<b>3,378,777</b>	<b>5,418,510</b>

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
1,062,966	733,575	749,031	689,561	715,513	681,350
161,930	212,149	108,250	100,928	74,853	64,304
223,283	220,684	184,786	210,615	200,105	211,504
6,879	8,360	6,255	7,565	6,515	6,319
23,953	19,496	23,960	32,328	40,890	39,305
3,222,738	476,870	250,641	316,183	674,719	225,086
245,055	212,746	201,360	222,188	205,464	189,212
192,662	110,978	425,427	55,917	44,990	151,144
5,139,466	1,994,858	1,949,710	1,635,285	1,963,049	1,568,224
355,167	331,157	369,303	627,563	334,739	291,880
623,289	457,949	513,331	577,220	836,787	500,268
-	-	396	351	360	334
562,778	358,602	524,056	465,741	424,953	426,178
143,280	308,356	107,027	81,080	60,232	59,299
141,128	109,730	120,497	110,379	119,533	103,449
251,515	64,236	26,602	-	1,053	26,115
2,895,476	2,071,268	423,717	80,839	62,900	130,425
4,972,633	3,701,298	2,084,929	1,943,173	1,840,557	1,537,948

**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**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### The City of West Union's Responses to the Findings

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

#### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

June 23, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee.

This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition

We noted that one or two individuals have control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions, including journal entries and having custody of the City's assets.
- (2) Cash – handling petty cash, collecting, depositing, reconciling, posting and signing checks.
- (3) Bank reconciliations – preparing, reviewing and approving.
- (4) Long-term debt – maintaining agreements, reconciling and signing checks.
- (5) Receipts – collecting and recording.
- (6) Utility receipts – billing, collecting and posting.

For the West Union Volunteer Firefighters, we noted that one individual has control over the following areas:

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

For Friends of the West Union Parks and Recreation, we noted that one individual has control over the following areas:

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

City of West Union

Schedule of Findings

Year ended June 30, 2016

Cause – The City, West Union Volunteer Fire Fighters and Friends of the West Union Parks and Recreation have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's and its component units ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and its component units should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials.

Responses

City – When invoices are received, they are forwarded to the Department Supervisor for their review of accuracy and then they code each invoice. From there, the invoice is moved to our Deputy Clerk where she reviews it for accuracy and correct coding. The information is then entered into our system. When checks are printed, the City Administrator reviews the invoices and initials them. The City Administrator then signs the corresponding check. At the end of each month, the Mayor will review all expenditures and dates and initials. The City Council will also be copied at the close of each month.

West Union Volunteer Firefighters – Complete segregation of duties is nearly impossible with limited staff. We will strive to separate duties as much as possible and currently have an investing committee (which consists of three officers) reviewing transactions, reconciliations and reports.

Friends of the West Union Parks and Recreation – Complete segregation of duties is nearly impossible with limited staff. We will strive to segregate duties as much as possible and will have an independent person reviewing transactions, reconciliations and reports.

Conclusions

City – Response acknowledged. The City should review their control procedures over all areas noted to obtain the maximum internal control possible under the circumstances.

West Union Volunteer Firefighters – Response accepted.

Friends of West Union Parks and Recreation – Response accepted.

City of West Union

Schedule of Findings

Year ended June 30, 2016

(B) Journal Entries

Criteria – An effective internal control system provides for internal controls related to preparation of journal entries. Supporting documentation for all journal entries supports the accuracy of the entries by the employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – There was no evidence of independent review for journal entries tested.

Cause – The City has a limited number of employees and procedures have not been designed to clearly document the review and approval of journal entries.

Effect – Lack of independent approval of transactions could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – To strengthen internal control, journal entries should be reviewed and approved by an independent person and that review should be documented by including the reviewer's signature or initials and the date of review.

Response – Effective June 1, 2017, the City Administrator will review, initial and date all general journal entries at the end of every month.

Conclusion – Response accepted.

(C) Monthly Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments, including an independent review.

Condition – Although monthly bank reconciliations were prepared, the reconciliations did not contain evidence of an independent review.

Cause – Policies and procedures do not exist to document evidence of an independent review of bank reconciliations.

Effect – Lack of review by an independent person could result in undetected errors or unauthorized activity.

Recommendation – An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations.

Response – Effective June 1, 2017, the City Administrator will review, initial and date all monthly financial reports.

Conclusion – Response accepted.

City of West Union

Schedule of Findings

Year ended June 30, 2016

(D) Friends of the West Union Parks and Recreation

Criteria – In order to maintain effective internal controls over receipts and disbursements, accounting records should be maintained and reconciled to the bank balance monthly. Also, pre-numbered receipts should be issued for all collections.

Condition – The Friends of the West Union Parks and Recreation does not maintain accounting records to track receipts, disbursements and fund balance. Also, pre-numbered receipts are not issued for collections.

Cause – Policies and procedures have not been established for maintaining accounting records for tracking financial activity. Also, policies have not been established to require the use of pre-numbered receipts for collections.

Effect – Inadequate tracking of financial activity and the lack of monthly bank reconciliations and pre-numbered receipts could adversely affect the ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis.

Recommendation – Friends of the West Union Parks and Recreation should develop and maintain accounting records to ensure all financial transactions are properly recorded. In addition, they should establish procedures to ensure those records are reconciled to the bank balance monthly. Variances, if any, should be reviewed and resolved timely. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliation. Also, pre-numbered receipts should be issued for all collections.

Response – We will implement an accounting system to record transactions and establish procedures to ensure the records are reconciled monthly and reviewed by an independent person.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of West Union

Schedule of Findings

Year ended June 30, 2016

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements in the community and economic development and capital projects functions exceeded the amended budget. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – It is my understanding that as long as the overall function (Community and Economic Development) remains positive, a budget amendment was not required. However, it appears we had some last minute expenses come in due to our commitments to support our House and Urban area within our community.

The Administrator will consult with Department heads in order to have an accurate accounting of expenses to budget when amending.

Conclusion – Response accepted.

- (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
Cameron Granger, City Council member, wife is owner of Signs by Design	City street signs	\$ 99
Cameron Granger, City Council member, owner of CG Repair & Granger Construction	Police vehicle repairs	550

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

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

City of West Union

Schedule of Findings

Year ended June 30, 2016

- (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) Payment of General Obligation Bonds – In November 2012 and November 2013, the City certified to the County Auditor a total of \$150,000 of TIF increment tax obligations for the payment of principal and interest on the City's 2010 general obligation bonds. Although TIF increment taxes were collected as certified and deposited into the Special Revenue, Tax Increment Financing Fund, only \$75,000 of the TIF increment tax collections were transferred during fiscal year 2015 from the Special Revenue, Tax Increment Financing Fund to the Debt Service fund for the payment of the City's 2010 general obligation bonds.

Recommendation – The City should transfer the remaining \$75,000 of TIF increment tax funds collected from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund.

Response – We will make the transfer before the end of June. The City Administrator will approach City Council with a resolution to allow the transfer on June 19, 2017.

Conclusion – Response accepted.

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was approved and certified to the Iowa Department of Management before December 1. However, the following exceptions were noted on the Levy Authority Summary for the AURR due December 1, 2015.

- The amount reported by the City as TIF debt outstanding was understated by \$331,511. In addition, amounts reported for receipts, disbursements and ending fund balances do not agree with City records.
- The amount reported by the City as TIF debt outstanding did not include the 2010 general obligation streetscape bond previously certified as TIF indebtedness.
- The City did not include a \$121,748 rebate to Baumler Implement in the report.

Recommendation – The City should ensure the Annual Urban Renewal Report agrees with the City's records.

Response – We have noted your recommendation and will review to ensure our next Annual Urban Renewal Report agrees with the City's numbers.

Conclusion – Response accepted.

- (11) Financial Condition – The Debt Service Fund had a deficit balance of \$1,267 at June 30, 2016.

Recommendation – The City should investigate alternatives to eliminate the deficit to return this fund to a sound financial position.

City of West Union

Schedule of Findings

Year ended June 30, 2016

Response – The City Administrator will approach City Council with a resolution to allow a transfer of \$75,000 of TIF increment tax funds collected from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund as recommended in finding (9). This will eliminate the deficit in this fund.

Conclusion – Response accepted.

City of West Union

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Ashley J. Moser, Senior Auditor  
Sarah J. Swisher, Staff Auditor  
Malika Moutiq, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State