



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 22, 2018

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$18,486,131 for the year ended June 30, 2017, a 49% increase from the prior year. The receipts included \$1,318,295 of property tax, \$8,654,156 of charges for service, \$738,979 of operating grants, contributions and restricted interest, \$481,822 of local option sales tax, \$30,683 of unrestricted interest on investments, \$7,013,909 of bond/note proceeds and \$248,287 of other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$15,391,723, a 33% increase from the prior year, and included \$1,409,081 for public safety, \$1,310,905 for debt service, \$669,224 for culture and recreation and \$480,108 for public works. Also, disbursements for business type activities totaled \$11,265,462.

The significant increase in receipts and disbursements is due primarily to the issuance of general obligation, water and sewer debt to fund of capital improvement projects.

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/1720-0656-B00F>.

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

JUNE 30, 2017

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	18-19
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	20-21
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C	22
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	23
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	E	24
Notes to Financial Statements		25-37
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		40-41
Notes to Other Information – Budgetary Reporting		42
Schedule of the City’s Proportionate Share of the Net Pension Liability		43
Schedule of City Contributions		44-45
Notes to Other Information – Pension Liability		46
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	48-49
Schedule of Indebtedness	2	50-51
Bond and Note Maturities	3	53
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	54-55
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>		57-58
Schedule of Findings		59-70
Staff		71

City of West Liberty

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Hartman	Mayor	Jan 2018
Melody Russell	Mayor Pro tem	Jan 2018
Felicie Simmons	Council Member	(Resigned Jan 2017)
Robert Rock (Appointed Jan 2017)	Council Member	Nov 2017
Diane Beranek	Council Member	Jan 2020
Joey Iske	Council Member	Jan 2020
Cara McFerren	Council Member	Jan 2020
Lawrence McNaul	City Manager	Indefinite
Melissa Carter	City Clerk	(Terminated May 2017)
Lee Geertz (Appointed Jun 2017)	City Clerk	Indefinite
Lee Geertz	Treasurer	Indefinite
Charles R. Coulter	Attorney	Indefinite

City of West Liberty



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of West Liberty, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of West Liberty as of June 30, 2017, 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 Liberty's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two 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 year ended June 30, 2016 (which is not presented herein) were audited by other auditors who expressed an unmodified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared in accordance with U.S. generally accepted accounting principles. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 15 and 40 through 46, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2018 on our consideration of the City of West Liberty's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Liberty's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

May 4, 2018

City of West Liberty

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Liberty provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 122.3% or approximately \$3,598,000, from fiscal year 2016 to fiscal year 2017. Bond proceeds increased \$3,623,000.
- Disbursements of the City's governmental activities increased 43.1%, or approximately \$1,243,000, in fiscal year 2017 from fiscal year 2016. Public safety and public works disbursements increased approximately \$451,000, and \$190,000, respectively. Debt service, including payment on refunded debt, disbursements increased approximately \$829,000.
- The City's total cash basis net position increased 61.9%, or approximately \$3,095,000, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased approximately \$2,564,000 and the cash basis net position of the business type activities increased approximately \$531,000.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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, the sanitary sewer system, the electric system and solid waste activities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

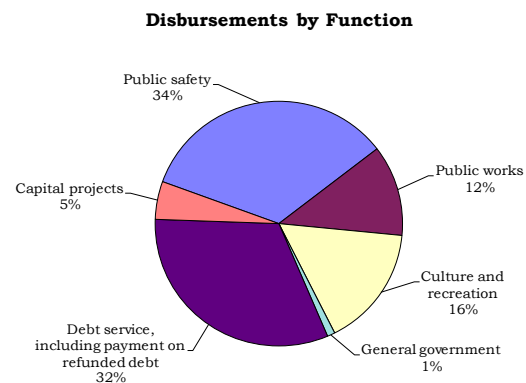
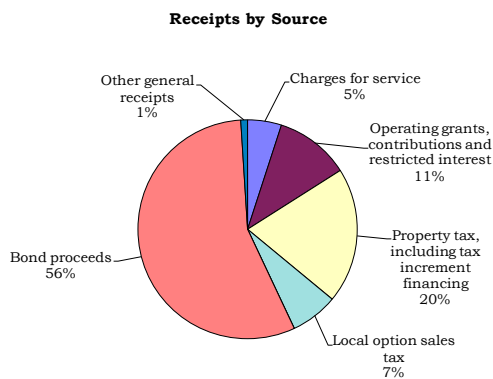
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1.575 million to approximately \$4.139 million. 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,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 308	332
Operating grants, contributions and restricted interest	739	737
General receipts:		
Property tax, including tax increment financing	1,320	1,452
Local option sales tax	482	404
Unrestricted interest on investments	8	2
Bond proceeds	3,623	-
Other general receipts	60	15
Total receipts	6,540	2,942
Disbursements:		
Public safety	1,409	958
Public works	480	290
Culture and recreation	669	620
General government	56	119
Debt service, including payment on refunded debt	1,311	482
Capital projects	201	414
Total disbursements	4,126	2,883
Change in cash basis net position before transfers	2,414	59
Transfers, net	150	158
Change in cash basis net position	2,564	217
Cash basis net position beginning of year, as restated	1,575	1,358
Cash basis net position end of year	\$ 4,139	1,575



The City's total receipts for governmental activities increased 122.3%, or approximately \$3,598,000, from the prior year. The total cost of all programs and services increased approximately \$1,243,000, or 43.1%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from the issuance of general obligation bonds and the payment on refunded debt.

The cost of all governmental activities this year was approximately \$4.126 million compared to approximately \$2.883 million last year. However, as shown in the Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$2.122 million because some of the cost was paid by those directly benefited from the programs (approximately \$308,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$739,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2017 from approximately \$1,069,000 to approximately \$1,047,000.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 714	661
Sewer	2,068	1,926
Electric	5,107	5,023
Solid waste	457	450
General receipts:		
Unrestricted interest on investments	22	17
Note proceeds	3,391	1,339
Other general receipts	187	12
Total receipts	<u>11,946</u>	<u>9,428</u>
Disbursements:		
Water	2,225	330
Sewer	3,994	3,347
Electric	4,723	3,940
Solid waste	323	241
Payment to Refunding Escrow Agent	-	872
Total disbursements	<u>11,265</u>	<u>8,730</u>
Change in cash basis net position before transfers	681	698
Transfers, net	<u>(150)</u>	<u>(158)</u>
Change in cash basis net position	531	540
Cash basis net position beginning of year	<u>3,427</u>	<u>2,887</u>
Cash basis net position end of year	<u>\$ 3,958</u>	<u>3,427</u>

Total business type activities receipts for the fiscal year were approximately \$11.946 million compared to approximately \$9.428 million last year. This significant increase was due primarily to an increase in the amount of water and sewer revenue note proceeds. The cash balance increased approximately \$531,000. Total disbursements for the fiscal year increased 29.0% to approximately \$11.265 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Liberty completed the year, its governmental funds reported a combined fund balance of \$4,009,242, an increase of more than \$2,560,000 above last year's total of \$1,446,640. 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 \$127,266 from the prior year to \$1,041,368. Disbursements increased primarily due to the purchase of a fire truck for \$509,000. Transfers out for capital projects decreased approximately \$477,000.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$521,747 to \$19,321, primarily due to an increase on spending on street projects.
- The Special Revenue, Local Option Sales Tax cash balance increased \$35,189 to \$94,730. The increase was due to more local option sales tax receipts than allocated to projects.
- The Special Revenue, Urban Renewal Tax Increment cash balance increased \$1,297 over prior year to \$10,251.
- The Debt Service Fund cash balance increased \$691,745 to \$786,339. Bond proceeds increased approximately \$1,548,000 and payment of principal and interest on debt increased approximately \$829,000.
- The Capital Projects cash balance increased \$2,423,849 to \$1,969,012, primarily due to the receipt of \$2,075,280 in bond proceeds to be used to pay for capital improvement projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$236,436 to \$423,163. Note proceeds for use in a capital improvement project increased, \$1.183 million and capital improvement projects related to the water utility increased \$1.576 million.
- The Enterprise, Sewer Fund cash balance increased \$89,237 to \$1,000,917. Note proceeds of \$2.1 million received during fiscal year 2017 reimbursed capital improvement project costs incurred in the current and prior fiscal years. Debt service payments increased \$201,000.
- The Enterprise, Electric Fund cash balance increased \$563,215 to \$1,812,857, primarily due to increased rates and power group refunds.
- The Enterprise, Solid Waste cash balance increased \$113,672 to \$560,269, primarily due to charges for service exceeding operating disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on March 1, 2017 to provide for additional disbursements in certain City departments.

The City's receipts were \$266,513 less than budgeted. This was primarily due to the City receiving less for charges for service in its enterprise funds than anticipated.

With the budget amendment, total disbursements were \$504,663 less than the amended budget. Actual disbursements for business type activities were \$469,134 less than budgeted, primarily due to slower progress than expected on water and sewer capital improvement projects.

The City exceeded the amounts budgeted in the public works, debt service and capital projects functions for the year ended June 30, 2017 due to unexpected capital projects and debt refinancing.

DEBT ADMINISTRATION

At June 30, 2017, the City had \$13,891,000 of bonds and other long-term debt outstanding, compared to \$9,076,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2017	2016
General obligation bonds	\$ 4,740	2,375
Revenue notes	9,151	6,701
Total	\$ 13,891	9,076

Debt increased as a result of issuing general obligation bonds for street, sewer, and water construction improvement projects and to refund capital loan note series 2009B.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$4,740,000 is significantly below its constitutional debt limit of approximately \$7.3 million. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of West Liberty’s elected and appointed officials spent considerable time working on the budget to determine the best course of action in the interest of the City as a whole and remain fiscally responsible, considering many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various City activities. The objective was to deliver a budget which maintains the level of services we provide, quality of life and build our reserve capacity.

The planned amounts available for appropriation in the operating budget are based on rate studies and incremental increases in the proprietary accounts. The City refinanced bonds to secure better interest rates and retired others that were at term to secure positive results. The City also held steady with health care costs which was also a contributing factor for a stronger balance. For fiscal year 2018 budget, the City plans a major street and infrastructure upgrade and completion of existing capital projects involving the State Revolving Loan. These projects are still experiencing expenses at year end and contributed to narrow year end balances.

The City realized a loss of receipts from the Waste Water Treatment Plant due to a large industry conducting more efficient pre-treatment. In addition, the contract expenses for the operation and maintenance of the waste water treatment plant has outgrown its means of support to the City. Identifying these triggers in lost receipts the City was able to open the contract discussion for this operation and the result will provide for significant ending fund balance increases in the future.

If these efforts are realized, the City’s budgeted cash balance is expected to increase approximately \$1,440,000 by the close of fiscal year 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lawrence McNaul, City Manager, 409 N. Calhoun Street, West Liberty Iowa 52776.

City of West Liberty

Basic Financial Statements

City of West Liberty

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,409,081	244,884	180,805
Public works	480,108	3,998	477,202
Culture and recreation	669,224	47,964	77,303
General government	55,896	10,994	-
Debt service	353,111	-	3,669
Capital projects	201,047	-	-
Total governmental activities	3,168,467	307,840	738,979
Business type activities:			
Water	2,224,941	713,726	-
Sewer	3,994,332	2,068,261	-
Electric	4,722,816	5,107,373	-
Solid waste	323,373	456,956	-
Total business type activities	11,265,462	8,346,316	-
Total	\$ 14,433,929	8,654,156	738,979
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Bond/note proceeds			
Payment on refunded debt			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year, as restated			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Perpetual care			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Capital improvements			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	West Liberty Free Library Foundation
(983,392)	-	(983,392)	-
1,092	-	1,092	-
(543,957)	-	(543,957)	(42,452)
(44,902)	-	(44,902)	-
(349,442)	-	(349,442)	-
(201,047)	-	(201,047)	-
(2,121,648)	-	(2,121,648)	(42,452)
-	(1,511,215)	(1,511,215)	-
-	(1,926,071)	(1,926,071)	-
-	384,557	384,557	-
-	133,583	133,583	-
-	(2,919,146)	(2,919,146)	-
(2,121,648)	(2,919,146)	(5,040,794)	(42,452)
1,137,549	-	1,137,549	-
180,746	-	180,746	-
1,272	-	1,272	-
481,822	-	481,822	-
8,106	22,577	30,683	-
3,622,909	3,391,000	7,013,909	-
(957,794)	-	(957,794)	-
60,333	186,682	247,015	-
150,251	(150,251)	-	-
4,685,194	3,450,008	8,135,202	-
2,563,546	530,862	3,094,408	(42,452)
1,575,296	3,427,548	5,002,844	42,452
\$ 4,138,842	3,958,410	8,097,252	-
\$ 67,981	-	67,981	-
19,321	-	19,321	-
10,251	-	10,251	-
786,339	837,519	1,623,858	-
1,969,012	750,000	2,719,012	-
208,926	-	208,926	-
1,077,012	2,370,891	3,447,903	-
\$ 4,138,842	3,958,410	8,097,252	-

City of West Liberty

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

As of and for the year ended June 30, 2017

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 805,607	-	-	-
Tax increment financing	-	-	-	1,272
Other city tax	-	-	481,822	-
Licenses and permits	42,543	-	-	-
Use of money and property	13,022	-	-	25
Intergovernmental	98,014	463,801	-	-
Charges for service	256,747	-	-	-
Miscellaneous	147,768	-	-	-
Total receipts	1,363,701	463,801	481,822	1,297
Disbursements:				
Operating:				
Public safety	1,393,517	-	-	-
Public works	15,653	464,455	-	-
Culture and recreation	662,524	-	-	-
General government	53,147	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	2,124,841	464,455	-	-
Excess (deficiency) of receipts over (under) disbursements	(761,140)	(654)	481,822	1,297
Other financing sources (uses):				
Bond proceeds, premium of \$41,255 and net of issuance costs of \$30,975	-	-	-	-
Refunding bond proceeds, including premium of \$58,769 and net of issuance costs of \$21,140	-	-	-	-
Payment on refunded debt	-	-	-	-
Transfers in	633,874	-	-	-
Transfers out	-	(521,093)	(446,633)	-
Total other financing sources (uses)	633,874	(521,093)	(446,633)	-
Change in cash balances	(127,266)	(521,747)	35,189	1,297
Cash balances beginning of year, as restated	1,168,634	541,068	59,541	8,954
Cash balances end of year	\$ 1,041,368	19,321	94,730	10,251
Cash Basis Fund Balances				
Nonspendable for perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	19,321	-	-
Urban renewal purposes	-	-	-	10,251
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	94,730	-
Assigned:				
Fire station	96,039	-	-	-
Ambulance	376,693	-	-	-
Unassigned	568,636	-	-	-
Total cash basis fund balances	\$ 1,041,368	19,321	94,730	10,251

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
180,746	-	331,942	1,318,295
-	-	-	1,272
-	-	-	481,822
-	-	-	42,543
3,669	-	956	17,672
-	-	-	561,815
-	-	-	256,747
-	-	85,950	233,718
184,415	-	418,848	2,913,884
-	-	16,086	1,409,603
-	-	-	480,108
-	-	7,108	669,632
-	-	-	53,147
353,111	-	-	353,111
-	201,047	-	201,047
353,111	201,047	23,194	3,166,648
(168,696)	(201,047)	395,654	(252,764)
-	2,075,280	-	2,075,280
1,547,629	-	-	1,547,629
(957,794)	-	-	(957,794)
270,606	603,716	-	1,508,196
-	(54,100)	(336,119)	(1,357,945)
860,441	2,624,896	(336,119)	2,815,366
691,745	2,423,849	59,535	2,562,602
94,594	(454,837)	28,686	1,446,640
786,339	1,969,012	88,221	4,009,242
-	-	67,981	67,981
-	-	-	19,321
-	-	-	10,251
786,339	-	-	786,339
-	1,969,012	-	1,969,012
-	-	114,196	208,926
-	-	-	96,039
-	-	-	376,693
-	-	(93,956)	474,680
786,339	1,969,012	88,221	4,009,242

City of West Liberty

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

As of and for the year ended June 30, 2017

Total governmental funds cash balances (page 21) \$ 4,009,242

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

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

129,600

Cash basis net position of governmental activities (page 19)

\$ 4,138,842

Change in cash balances (page 21)

\$ 2,562,602

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

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

944

Change in cash basis net position of governmental activities (page 19)

\$ 2,563,546

See notes to financial statements.

City of West Liberty

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

As of and for the year ended June 30, 2017

	Enterprise					Internal Service
	Water	Sewer	Electric	Solid Waste	Total	Employee Health
Operating receipts:						
Charges for service	\$ 713,726	2,068,261	5,107,373	456,956	8,346,316	-
Miscellaneous	27,309	-	156,371	512	184,192	72,241
Total operating receipts	741,035	2,068,261	5,263,744	457,468	8,530,508	72,241
Operating disbursements:						
Governmental activities:						
General government	-	-	-	-	-	71,021
Business type activities	480,193	1,942,687	4,173,559	323,642	6,920,081	-
Total operating disbursements	480,193	1,942,687	4,173,559	323,642	6,920,081	71,021
Excess of operating receipts over operating disbursements	260,842	125,574	1,090,185	133,826	1,610,427	1,220
Non-operating receipts (disbursements):						
Interest on investments	5,963	3,930	12,326	358	22,577	898
Revenue capital loan note proceeds	1,263,553	2,127,447	-	-	3,391,000	-
Debt service	(169,062)	(550,635)	(437,010)	-	(1,156,707)	-
Capital projects	(1,575,726)	(1,501,141)	(110,491)	-	(3,187,358)	-
Net non-operating receipts (disbursements)	(475,272)	79,601	(535,175)	358	(930,488)	898
Excess (deficiency) of receipts over (under) disbursements	(214,430)	205,175	555,010	134,184	679,939	2,118
Transfers in (out):						
Transfers in	6,588	8,205	8,205	-	22,998	-
Transfers out	(28,594)	(124,143)	-	(20,512)	(173,249)	-
Net transfers in (out)	(22,006)	(115,938)	8,205	(20,512)	(150,251)	-
Change in cash balances	(236,436)	89,237	563,215	113,672	529,688	2,118
Cash balances beginning of year, as restated	659,599	911,680	1,249,642	446,597	3,267,518	288,686
Cash balances end of year	\$ 423,163	1,000,917	1,812,857	560,269	3,797,206	290,804
Cash Basis Fund Balances						
Restricted for:						
Restricted for debt service	\$ 102,334	382,705	352,480	-	837,519	-
Restricted for capital improvements	100,000	150,000	500,000	-	750,000	-
Unrestricted	220,829	468,212	960,377	560,269	2,209,687	290,804
Total cash basis fund balances	\$ 423,163	1,000,917	1,812,857	560,269	3,797,206	290,804

See notes to financial statements.

City of West Liberty

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

As of and for the year ended June 30, 2017

Total enterprise funds cash balances (page 23) \$ 3,797,206

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

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

161,204

Cash basis net position of business type activities (page 19)

\$ 3,958,410

Change in cash balances (page 23)

\$ 529,688

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

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

1,174

Change in cash basis net position of business type activities (page 19)

\$ 530,862

See notes to financial statements.

City of West Liberty

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of West Liberty is a political subdivision of the State of Iowa located in Muscatine County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of governments 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 governmental services. The City also provides water, sewer, electric and solid waste disposal utilities for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Unit

The West Liberty Free Library Foundation (Foundation) was incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504 of the Code of Iowa, for the purpose of supporting the operations of the West Liberty Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. During fiscal year 2017, the Foundation ceased operations and the balance of funds was deposited into the City's bank account.

Blended Component Units

The West Liberty Fire Department, Inc. (Fire Department) is legally separate from the City, but it is so intertwined with the City it is, in substance, part of the City. It is reported as part of the City and blended into the Special Revenue Funds. The Fire Department was incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504 of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing other such duties as set forth by the City of West Liberty Fire Department.

The Friends of the West Liberty Public Library, Inc. (Friends) is legally separate from the City, but it is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Friends was incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504 of the Code of Iowa, for the purpose of aiding in the general operation of the West Liberty Public Library.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Muscatine County Assessor's Conference Board, Muscatine County Emergency Management Commission, Muscatine County Landfill Commission and Muscatine County Joint E-911 Service Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax.

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

The City also reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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 intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public works, debt service and capital projects functions.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2017 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 Notes Payable

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

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 280,000	132,643	720,000	149,878	1,000,000	282,521
2019	330,000	125,708	305,000	138,151	635,000	263,859
2020	340,000	117,998	315,000	130,774	655,000	248,772
2021	350,000	110,018	320,000	122,381	670,000	232,399
2022	355,000	101,838	325,000	113,187	680,000	215,025
2023-2027	1,635,000	368,778	1,825,000	388,360	3,460,000	757,138
2028-2032	1,450,000	145,740	720,000	86,422	2,170,000	232,162
2033	-	-	90,000	4,050	90,000	4,050
Total	\$ 4,740,000	1,102,723	4,620,000	1,133,203	9,360,000	2,235,926

General Obligation Bonds

In November 2016, the City issued \$1,510,000 of general obligation corporate purpose and refunding bonds, series 2016A. The proceeds were used to refund \$945,000 of general obligation capital loan notes dated December 15, 2009. The City entered into an escrow agreement with Bankers Trust Company and deposited the proceeds from the refunding bonds and the notes were called on June 1, 2017. The remaining proceeds will be used to finance various street, water system, and sanitary sewer system improvements. The bonds bear interest at 2.50% per annum and are payable through June 2025.

The City reduced its total general obligation debt service payments by \$67,001 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$61,769.

In June 2017, the City issued \$2,065,000 of general obligation corporate purpose bonds, series 2017A to provide funds to pay the costs constructing street, water system, sanitary sewer system and storm water drainage improvements. The bonds bear interest at 2.00-3.25% per annum and are payable through June 2032.

Revenue Loan Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,300,000 of water revenue capital loan notes issued in February 2014. Proceeds from the notes provided financing for improvements and extensions to the Municipal Water Utility, including constructing an addition to the water plant and the acquisition, construction and installation of an iron removal filter and aerator. The notes are payable solely from water customer net receipts and are payable through 2033. Annual principal and interest payments on the notes required 35% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,474,675. For the current year, principal and interest paid and total customer net receipts were \$90,213 and \$260,842, respectively.

In May 2016, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of water revenue notes of up to \$1,867,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and an a building addition to the water treatment facilities. The City will draw down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred.

At June 30, 2017, the City had drawn down \$1,353,275 of the authorized amount. An initiation fee of .50% of the authorized borrowing for the water revenue notes was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the water revenue notes drawn by the City during the year ended June 30, 2016. A final repayment schedule has not yet been adopted. However, during the year ended June 30, 2017, the City paid principal and interest of \$77,000 and \$1,849, respectively, on the notes under a preliminary repayment schedule. The balance on the notes at June 30, 2017 was \$1,276,275.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,600,000 of sewer revenue refunding capital loan notes issued in April 2015. Proceeds from the notes were used to pay costs of refunding sewer revenue capital loan notes. The notes are payable solely from sewer customer net receipts and are payable through 2028. Annual principal and interest payments on the notes required 281% of net receipts. The total principal and interest remaining to be paid on the notes is \$3,852,648. For the current year, principal and interest paid and total customer net receipts were \$353,578 and \$125,574, respectively.

In January 2016, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue notes of up to \$3,623,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements to the wastewater treatment plant. The City will draw down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred.

At June 30, 2017, the City had drawn \$3,404,090 of the authorized amount. An initiation fee of .50% of the authorized borrowing for the sewer revenue notes was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the sewer revenue notes drawn by the City during the year ended June 30, 2016. A final repayment schedule has not yet been adopted. However, during the year ended June 30, 2017, the City paid principal and interest of \$149,000 and \$48,057, respectively, on the notes under a preliminary repayment schedule. The balance on the notes at June 30, 2017 was \$3,255,090.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$2,815,000 of electric revenue capital loan notes issued in May 2011. Proceeds from the notes provided funds to pay costs of refunding electric revenue capital loan notes, series 2002. The notes are payable solely from electric customer net receipts and are payable through 2018. Annual principal and interest payments on the notes required 40% of net receipts. The total principal and interest remaining to be paid on the notes is \$425,880. For the current year, principal and interest paid and total customer net receipts were \$437,010 and \$1,090,185, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) User rates for the Municipal Water Utility and sewer utility system shall each be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year. User rates for the electric system shall be established at a level which produces and maintains net receipts at a level not less than 110% of the principal and interest on the notes falling due in the same year.
- (c) Sufficient monthly transfers shall be made to separate water, sewer and electric revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (d) Additional monthly transfers shall be made to separate water, sewer and electric reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying principal and interest if insufficient funds are available in the sinking fund.

The City has not complied with the provision of the sewer revenue refunding capital loan note requiring user rates be established at a level which produces and maintains net receipts at a level not less than 125% of the principal and interest on the notes falling due in the same year.

(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.

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 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 2017, 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, 2017 totaled \$129,988.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$895,328 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the City's proportion was 0.014227%, which was an increase of 0.000961% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$133,687, \$345,140 and \$166,565, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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, 2016 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

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 of 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 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 that is 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	\$ 1,625,361	895,328	279,400

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 28 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 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 \$410 for single coverage and \$1,220 for family coverage. For the year ended June 30, 2017, the City contributed \$283,544 and plan members eligible for benefits contributed \$33,988 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory 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, sick leave and compensatory time payable to employees at June 30, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 51,000
Sick leave	16,000
Compensatory time	3,000
Total	\$ 70,000

This liability has been computed based on rates of pay in effect at June 30, 2017.

(7) Wastewater Treatment Plant Agreement

On July 1, 2009, the City entered into an agreement with CH2M Hill OMI to operate, maintain and monitor the wastewater treatment plant. The agreement is for a ten year initial term and will be automatically renewed for successive terms of ten years unless cancelled by either party. The base fee for the contract is negotiated annually. The amount paid for the year ended June 30, 2017 was \$908,045.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 297,755
	Employee Benefits	327,879
	West Liberty Fire Department	8,240
		<u>633,874</u>
Debt Service	Special Revenue:	
	Road Use Tax	66,255
	Capital Projects	54,100
	Enterprise:	
	Water	28,594
	Sewer	121,657
		<u>270,606</u>
Capital Projects	Special Revenue:	
	Road Use Tax	454,838
	Local Option Sales Tax	148,878
		<u>603,716</u>
Enterprise: Water	Enterprise: Sewer	2,486
	Solid Waste	4,102
		<u>6,588</u>
Enterprise: Sewer	Enterprise: Solid Waste	8,205
Enterprise: Electric	Enterprise: Solid Waste	8,205
Total		<u>\$ 1,531,194</u>

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

(9) Construction Commitments

The City has entered into construction contracts totaling approximately \$7,807,558 for street, water, sewer and electric improvements. The balance of \$2,813,555 remaining on the contracts at June 30, 2017 will be paid as work on the projects progress.

(10) 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.

(11) Deficit Balance

The Special Revenue, Dutton Complex Trust Fund had a deficit balance of \$93,956 at June 30, 2017. The deficit balance was a result of project costs incurred prior to the availability of funds. The City is working to eliminate the deficit balance.

(12) Pending Litigation

As of June 30, 2017, the City was a defendant in two civil lawsuits which were subsequently settled for a total of \$130,000.

(13) Restatement

The beginning of year cash balances for the City’s General, Debt Service, Capital Projects Fund, Enterprise, Water and Electric Funds, and the discretely presented component unit, West Liberty Free Library Foundation were restated to correct for prior year misstatements. The effect of the restatements are as follows:

	Governmental Activities	Governmental Funds			Business Type Activities	Enterprise Funds		Component Unit
		General	Debt Service	Capital Projects		Water	Electric	West Liberty Free Library Foundation
Balances June 30, 2016, as previously reported	\$ 1,719,098	1,291,334	194,594	(548,793)	3,267,518	659,294	1,104,975	8,776
Special revenue - Dutton Complex Trust balance was also included in Capital Projects Fund	93,956	-	-	93,956	-	-	-	-
Miscellaneous error corrections	(222,700)	(122,700)	(100,000)	-	144,972	305	144,667	33,676
Internal service fund allocation	(15,058)	-	-	-	15,058	-	-	-
Balances July 1, 2016, as restated	\$ 1,575,296	1,168,634	94,594	(454,837)	3,427,548	659,599	1,249,642	42,452

(14) Subsequent Event

In November 2017, the City authorized the issuance of \$4,150,000 in electric water revenue capital loan notes, series 2017B for the purpose of constructing improvements to the Municipal Electric Utility System.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

City of West Liberty

Other Information

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

Other Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,318,295	-	-
Tax increment financing	1,272	-	-
Other city tax	481,822	-	-
Licenses and permits	42,543	-	-
Use of money and property	17,672	23,475	904
Intergovernmental	561,815	-	-
Charges for service	256,747	8,346,316	-
Miscellaneous	233,718	256,433	106,919
Total receipts	2,913,884	8,626,224	107,823
Disbursements:			
Public safety	1,409,603	-	16,086
Public works	480,108	-	-
Culture and recreation	669,632	-	1,040
General government	53,147	71,021	71,021
Debt service	353,111	-	-
Capital projects	201,047	-	-
Business type activities	-	11,264,146	-
Total disbursements	3,166,648	11,335,167	88,147
Excess (deficiency) of receipts over (under) disbursements	(252,764)	(2,708,943)	19,676
Other financing sources, net	2,815,366	3,240,749	(8,240)
Excess of receipts and other financing sources over disbursements and other financing uses	2,562,602	531,806	11,436
Balances beginning of year, as restated	1,446,640	3,556,204	288,686
Balances end of year	\$ 4,009,242	4,088,010	300,122

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,318,295	1,297,024	1,297,024	21,271
1,272	-	-	1,272
481,822	397,317	397,317	84,505
42,543	15,650	15,650	26,893
40,243	21,800	21,800	18,443
561,815	545,214	545,214	16,601
8,603,063	9,281,393	9,281,393	(678,330)
383,232	140,400	140,400	242,832
11,432,285	11,698,798	11,698,798	(266,513)
1,393,517	927,839	1,528,724	135,207
480,108	265,039	425,039	(55,069)
668,592	742,442	752,942	84,350
53,147	126,993	132,993	79,846
353,111	345,353	345,353	(7,758)
201,047	-	-	(201,047)
11,264,146	11,324,367	11,733,280	469,134
14,413,668	13,732,033	14,918,331	504,663
(2,981,383)	(2,033,235)	(3,219,533)	238,150
6,064,355	3,550,000	3,550,000	2,514,355
3,082,972	1,516,765	330,467	2,752,505
4,714,158	4,383,194	4,383,194	330,964
7,797,130	5,899,959	4,713,661	3,083,469

City of West Liberty

Notes to Other Information – Budgetary Reporting

June 30, 2017

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and 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 Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$1,186,298. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public works, debt service and capital projects functions.

City of West Liberty

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

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

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.014227%	0.013266%	0.039138%
City's proportionate share of the net pension liability	\$ 895	655	552
City's covered-employee payroll	\$ 1,351	1,413	1,449
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	66.25%	46.36%	38.10%
IPERS' net position as a percentage of the total pension liability	81.82%	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 Liberty

Schedule of City Contributions

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

Other Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 130	123	131	134
Contributions in relation to the statutorily required contribution	(130)	(123)	(131)	(134)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 1,418	1,351	1,413	1,449
Contributions as a percentage of covered-employee payroll	9.17%	9.10%	9.27%	9.25%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009
143	129	109	102	110
(143)	(129)	(109)	(102)	(110)
-	-	-	-	-
1,583	1,518	1,428	1,414	1,516
9.03%	8.50%	7.63%	7.21%	7.26%

City of West Liberty

Notes to Other Information – Pension Liability

Year ended June 30, 2017

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 (unfunded actuarial liability) 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.

Supplementary Information

City of West Liberty

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

As of and for the year ended June 30, 2017

	Special		
	FEMA	Employee Benefits	Dutton Complex Trust
Receipts:			
Property tax	\$ -	331,942	-
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total receipts	-	331,942	-
Disbursements:			
Operating:			
Public safety	-	-	-
Cultures and recreation	-	-	-
Total disbursements	-	-	-
Excess of receipts over disbursements	-	331,942	-
Other financing uses:			
Transfers out	-	(327,879)	-
Change in cash balances	-	4,063	-
Cash balances beginning of year	16,030	18,224	(93,956)
Cash balances end of year	\$ 16,030	22,287	(93,956)
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for other purposes	16,030	22,287	-
Unassigned	-	-	(93,956)
Total cash basis fund balances	\$ 16,030	22,287	(93,956)

See accompanying independent auditor's report.

Revenue				Permanent	
Library Trust	Park and Recreation Trust	West Liberty Fire Department	Friends of the West Liberty Public Library	Perpetual Care	Total
-	-	-	-	-	331,942
126	824	2	4	-	956
45,935	5,337	28,940	5,738	-	85,950
46,061	6,161	28,942	5,742	-	418,848
-	-	16,086	-	-	16,086
1,486	4,582	-	1,040	-	7,108
1,486	4,582	16,086	1,040	-	23,194
44,575	1,579	12,856	4,702	-	395,654
-	-	(8,240)	-	-	(336,119)
44,575	1,579	4,616	4,702	-	59,535
8,496	11,911	-	-	67,981	28,686
53,071	13,490	4,616	4,702	67,981	88,221
-	-	-	-	67,981	67,981
53,071	13,490	4,616	4,702	-	114,196
-	-	-	-	-	(93,956)
53,071	13,490	4,616	4,702	67,981	88,221

City of West Liberty
Schedule of Indebtedness
Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Street improvement	Nov 1, 2006	2.75-4.15%	\$ 850,000
Street, sidewalk, sewer and water	Dec 15, 2009	1.05-4.10	1,600,000
Building, structure and property restoration	Jun 28, 2013	2.40-3.75	1,360,000
Refunding and street, sewer and water improvements	Nov 29, 2016	2.50	1,510,000
Street, sewer and water improvements	Jun 1, 2017	2.00-3.25	2,065,000
Total			
Revenue notes:			
Water	Feb 6, 2014	0.50-4.50%	\$ 1,300,000
Water	May 20, 2016	1.75	* 1,867,000
Sewer	Apr 23, 2015	1.00-4.10	3,600,000
Sewer	Jan 29, 2016	1.75	* 3,623,000
Electric	May 3, 2011	0.50-2.80	2,815,000
Total			

* The agreements also require the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
100,000	-	100,000	-	4,150
1,045,000	-	1,045,000	-	38,650
1,230,000	-	65,000	1,165,000	37,553
-	1,510,000	-	1,510,000	20,553
-	2,065,000	-	2,065,000	-
<u>\$ 2,375,000</u>	<u>3,575,000</u>	<u>1,210,000</u>	<u>4,740,000</u>	<u>100,906</u>
1,120,000	-	50,000	1,070,000	40,213
89,722	1,263,553	77,000	1,276,275	1,849
3,375,000	-	245,000	3,130,000	108,578
1,276,643	2,127,447	149,000	3,255,090	48,057
840,000	-	420,000	420,000	17,010
<u>\$ 6,701,365</u>	<u>3,391,000</u>	<u>941,000</u>	<u>9,151,365</u>	<u>215,707</u>

City of West Liberty

City of West Liberty
Bond and Note Maturities
June 30, 2017

General Obligation Bonds and Notes								
Year Ending June 30,	Building, structure and property restoration		Refunding and street, sewer and water improvements		Street, sewer and water improvements		Total	
	Issued Jun 28, 2013		Issued Nov 29, 2016		Issued Jun 1, 2017			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2018	2.40%	\$ 65,000	2.50%	\$ 215,000	2.00%	-	280,000	
2019	2.40	65,000	2.50	170,000	2.99	95,000	330,000	
2020	2.40	70,000	2.50	180,000	3.00	90,000	340,000	
2021	2.40	70,000	2.50	180,000	3.00	100,000	350,000	
2022	2.60	70,000	2.50	185,000	3.00	100,000	355,000	
2023	2.80	75,000	2.50	185,000	3.00	100,000	360,000	
2024	3.00	75,000	2.50	195,000	3.00	100,000	370,000	
2025	3.10	75,000	2.50	200,000	3.00	105,000	380,000	
2026	3.20	80,000	-	-	3.00	180,000	260,000	
2027	3.30	80,000	-	-	3.00	185,000	265,000	
2028	3.40	85,000	-	-	3.00	190,000	275,000	
2029	3.50	85,000	-	-	3.125	195,000	280,000	
2030	3.60	85,000	-	-	3.25	200,000	285,000	
2031	3.70	90,000	-	-	-	210,000	300,000	
2032	3.75	95,000	-	-	-	215,000	310,000	
Total		<u>\$ 1,165,000</u>		<u>\$ 1,510,000</u>		<u>\$ 2,065,000</u>	<u>4,740,000</u>	

Revenue Notes								
Year Ending June 30,	Water		Sewer		Electric		Total	
	Issued Feb 6, 2014		Issued April 23, 2015		Issued May 3, 2011			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2018	1.50%	\$ 55,000	2.05%	\$ 245,000	2.80%	\$ 420,000	720,000	
2019	2.50	55,000	2.40	250,000	-	-	305,000	
2020	2.50	55,000	2.70	260,000	-	-	315,000	
2021	2.50	55,000	2.95	265,000	-	-	320,000	
2022	3.25	55,000	3.20	270,000	-	-	325,000	
2023	3.25	60,000	3.40	280,000	-	-	340,000	
2024	3.25	60,000	3.60	290,000	-	-	350,000	
2025	4.00	65,000	3.75	300,000	-	-	365,000	
2026	4.00	65,000	3.90	310,000	-	-	375,000	
2027	4.00	70,000	4.00	325,000	-	-	395,000	
2028	4.25	70,000	4.10	335,000	-	-	405,000	
2029	4.25	75,000	-	-	-	-	75,000	
2030	4.25	75,000	-	-	-	-	75,000	
2031	4.50	80,000	-	-	-	-	80,000	
2032	4.50	85,000	-	-	-	-	85,000	
Total		<u>\$ 980,000</u>		<u>\$ 3,130,000</u>		<u>\$ 420,000</u>	<u>4,530,000</u>	

City of West Liberty

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

For the Last Ten Years

	(Cash Basis)			
	2017	2016	2015	2014
Receipts:				
Property tax	\$ 1,318,295	1,333,865	1,270,135	1,133,742
Tax increment financing	1,272	119,263	123,896	130,999
Other city tax	481,822	404,500	423,341	407,512
Licenses and permits	42,543	51,134	39,746	41,065
Use of money and property	17,672	28,659	12,390	8,104
Intergovernmental	561,815	503,777	671,855	501,178
Charges for service	256,747	266,580	224,874	199,376
Miscellaneous	233,718	450,341	442,022	210,697
Contributions	-	-	-	-
Total	<u>\$ 2,913,884</u>	<u>3,158,119</u>	<u>3,208,259</u>	<u>2,632,673</u>
Disbursements:				
Operating:				
Public safety	\$ 1,409,603	957,766	870,055	856,412
Public works	480,108	288,735	362,636	266,098
Culture and recreation	669,632	702,826	759,209	722,742
Community and economic development	53,147	-	-	-
General government	353,111	43,674	42,001	43,127
Debt service	201,047	482,248	488,327	406,429
Capital projects	-	414,133	303,643	900,951
Total	<u>\$ 3,166,648</u>	<u>2,889,382</u>	<u>2,825,871</u>	<u>3,195,759</u>

See accompanying independent auditor's report.

(Modified Accrual Basis)					
2013	2012	2011	2010	2009	2008
1,070,832	1,012,623	1,003,077	885,240	908,174	809,496
130,930	129,404	128,722	128,126	77,854	149,195
384,498	399,940	340,424	346,164	404,484	360,873
41,974	16,272	13,939	12,138	10,380	13,303
7,559	8,520	16,611	24,846	35,028	78,024
443,945	426,547	665,765	355,020	371,963	311,618
162,884	203,540	192,775	163,550	157,475	172,235
(81,878)	496,317	169,380	146,849	194,155	125,794
-	-	-	84,374	80,140	496,013
<u>2,160,744</u>	<u>2,693,163</u>	<u>2,530,693</u>	<u>2,146,307</u>	<u>2,239,653</u>	<u>2,516,551</u>
893,566	1,073,607	767,273	691,962	711,875	696,671
247,400	262,787	297,001	438,045	385,483	518,212
824,134	790,730	880,917	996,276	1,215,194	991,550
	-	-	-	-	316
90,008	186,254	144,649	125,713	133,730	103,678
418,499	423,010	414,881	336,939	303,119	302,660
343,119	350,179	1,356,578	1,534,489	70,136	374,089
<u>2,816,726</u>	<u>3,086,567</u>	<u>3,861,299</u>	<u>4,123,424</u>	<u>2,819,537</u>	<u>2,987,176</u>

**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**



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STATE OF IOWA

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Independent Auditor's Report on Internal Control
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Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of West Liberty, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 4, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of West Liberty's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

May 4, 2018

City of West Liberty
Schedule of Findings
Year ended June 30, 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 – One of three individuals has control over the following areas:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – investing, recordkeeping and custody of investments.
- (4) Debt – reconciling and recording.
- (5) Receipts – opening mail and recording.
- (6) Utility receipts – billing, collecting and posting.
- (7) Payroll – entering new rates into system, preparing and distributing.
- (8) Journal entries – preparing and journalizing.

For the Friends of the West Liberty Public Library, Inc. (Friends) and West Liberty Fire Department, Inc. (Fire Department):

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

Cause – The City, Friends and Fire Department 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, Friends, and Fire Department’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 – The City, Friends and Fire Department should review their control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials to provide additional control through review of financial transactions, reconciliations and reports.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

Responses –

City – The City will work to segregate duties as much as staffing will allow in the next year, to include policy and procedures. We will look to have Council Committees and Mayor involved in the process.

Friends – The Friends will appoint a person at our next quarterly meeting who will review all receipts, deposits, and disbursements.

Fire Department – The West Liberty Fire Department Secretary/Treasurer serves as the Department's responsible individual for depositing and reconciling receipts and disbursements. The receipts and disbursements from the West Liberty Fire Department checking account are very limited, and equate to roughly 100-110 transactions per year (roughly 9 transactions, debit and credit, per month). Each month, the balance in the account is communicated with West Liberty Fire Department members during our monthly meeting. Revenue received is shared with members, and any expense paid from this account is first approved by the West Liberty Fire Department before the expense is disbursed. Approval of expenses is also done during the monthly meeting. Bank reconciliations are available on a monthly basis. Annually, an in-depth audit of the checking account receipts and expenses is performed by a designated group of West Liberty Fire Department members.

At the recommendation of the State Auditors, the West Liberty Fire Department will incorporate a formal quarterly review of transactions and monthly bank statement reconciliations with the West Liberty Fire Department Fire Chief and Assistant Fire Chief to provide additional oversight and control.

Conclusion – Response accepted.

(B) Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank to book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the City's monthly financial report. However, the monthly bank reconciliations are not reviewed and approved by an independent person. The following was noted during a review of the June 2017 bank reconciliation:

- (1) Outstanding deposits included \$1,065 from March and May 2015.
- (2) Checks totaling \$3,265 dated between 2011 and 2014 are included in the list of outstanding checks.
- (3) A check for \$28,500 written July 21, 2016 is included in the list of outstanding checks. This check was lost and subsequently reissued.

For the Friends of West Liberty Public Library, Inc., cash balances were not reconciled to bank balances throughout the year.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are properly supported and independently reviewed.

Effect – A lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation. Errors noted in the City's June 30, 2017 reconciliation included the check for \$28,500 that was not properly voided results in overstatement of June 30, 2017 expenses of the Water Fund \$3,278, Sewer Fund \$8,692 and Electric Fund \$16,530.

Recommendation – Monthly bank reconciliations should be performed and variances between book and bank balances should be investigated and resolved in a timely manner to improve accountability and control. In addition, the reconciliations should be reviewed by an independent person and should be documented by the signature or initials of the independent reviewer.

Responses –

City – The City of West Liberty will work to segregate the duties of bank reconciliation with internal staff.

Friends – The Friends will appoint a person who will review the monthly bank statements. This person will perform this action on a quarterly basis at our meetings when the Treasurer provides her quarterly report. Any discrepancies will be resolved with the Treasurer, and other Friends members if needed. After the action is complete, the second person will initial all bank statements for documentation.

Conclusion – Response accepted.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts, and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent accounts.

Condition – The following conditions were noted for utilities:

- (1) Utility billings, collections and delinquent accounts were not reconciled after April 2017 and a delinquent accounts listing was not prepared.
- (2) The City does not have a written policy for write-offs of delinquent accounts.
- (3) For one utility account reviewed, no documentation existed to support authorization for enrollment in the City's budget billing program.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

Cause – Policies have not been established and procedures have not implemented to reconcile utility billings, collections and delinquent accounts. Policies have not been established for handling write-offs of delinquent accounts. Policies and procedures have not been established to ensure enrollment in the City's budget billing program is properly authorized and documented.

Effect – These conditions could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or a City Council designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review. In addition, the City Council should establish policies and procedures for write-offs of delinquent accounts and for enrollment in the budget billing program.

Response – The City of West Liberty will create a procedure in the next year to assign and perform independent reviews of the utility billings, collections, delinquent account and reconciliation.

Conclusion – Response accepted.

(D) Reconciliation of Ambulance Service Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling ambulance billings, collections and delinquent accounts, and comparing ambulance collections to deposits to ensure proper recording of ambulance receipts, the propriety of adjustments and the propriety and disposition of delinquent accounts.

Condition – The City contracts with a third party to administer ambulance service billings and collections. Although the City maintains a spreadsheet to track amounts billed and collected, there is no reconciliation of billings, collections and delinquent accounts between the administrator and the City's records on a monthly basis.

Cause – Policies have not been established and procedures have not been implemented to reconcile ambulance service billings, collections and receivables.

Effect – This condition could result in unrecorded or misstated ambulance service revenues and receivables.

Recommendation – Policies and procedures should be established to reconcile ambulance service billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. An independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by signature or initials of the review and the date of review. Policies and procedures should be developed to continue collection efforts beyond the second billing notice.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

Response – The City of West Liberty will create a procedure in the next year to assign and perform independent reviews of the ambulance billings, collections, and delinquent accounts. Reconciliation will be performed quarterly with 3rd party billing and city receipt records.

Conclusion – Response accepted.

(E) Timely Transfer Entries

Criteria – An effective internal control system provides for internal controls related to entering transfers between funds authorized by the City Council, including those entries required by bond resolutions, accurately and on a timely basis. Properly designed procedures help provide reasonable assurance financial information is reliable and accurate and in compliance with applicable laws and regulations.

Condition – Several transfers authorized by City Council or required by bond resolutions for the fiscal year ended June 30, 2017 were not recorded until November 2017.

Cause – Procedures have not been developed to review the accounting records and ensure transfer entries authorized by City Council or required by bond resolutions are entered into the accounting records on a timely basis.

Effect – Failure to record transfers in the accounting records on a timely basis could result in non-compliance with bond requirements and could negatively affect City Council’s decision making ability related to spending and amending the budget.

Recommendation – Procedures should be established to ensure transfers authorized by City Council or required by bond resolution are made accurately and on a timely basis. An independent person should review required transfer entries to ensure entries are complete, accurate and timely. The review should be documented by signature or initials of the review and the date of review.

Response – The City of West Liberty will establish a procedure to provide timely transfers for all required journal entries and receipts for the City. The procedure will include an internal review to reconcile journal entries have been completed on a timely basis.

Conclusion – Response accepted.

(F) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures an implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City’s financial statements.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

Condition – During the fiscal year ended June 30, 2017, the City recorded State Revolving Loan Fund principal payments of \$77,000 for the Water Fund and \$149,000 for the Sewer Fund as interest rather than principal.

Cause – City policies do not require and procedures have not been established to require independent review of the classification of disbursements by function to ensure the City’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City’s financial statement were necessary.

Recommendation – The City should implement procedures to ensure financial transactions are properly recorded in the City’s financial records.

Response – The City of West Liberty will establish a procedure in part with the journal entries to review and reconcile receipts and transfers are being completed as required. The reported transfers in reference to this deficiency were a result of a transfer of authority between City Clerks and guidance provided through consulting with the State Auditor’s Office.

Conclusion – Response accepted.

(G) Disbursements

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transaction and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – Supporting documentation for disbursements is not effectively cancelled.

Cause – Policies and procedures were not established to ensure supporting documentation is effectively cancelled.

Effect – Lack of sufficient cancellation of supporting documentation upon payment could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – Procedures should be established and followed to ensure supporting documentation is effectively cancelled by City Council.

Response – The City will update the purchase policy to include procedures on canceling supporting documents for purchases.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

(H) State Revolving Fund Reimbursement

Criteria – The City entered into State Revolving Fund (SRF) Loans for water and sewer projects. After incurring project costs in the water and sewer funds, the City submits claims for reimbursement from the loan program.

Condition – Water and sewer loan reimbursements were not claimed in a timely manner. Sewer project expenses of \$578,579 incurred in November 2016 through April 2017 were not claimed until May 2017. Water project expenses of \$1,263,553 incurred October 2016 through April 2017 were not claimed until May 2017.

Additionally, water project expenses were recorded in Sewer Fund and sewer project expenses for the same time period were recorded in the Water Fund.

Cause – The City did not have policies and procedures requiring timely reimbursement requests. Also, there are not procedures in place to adequately review the classification of recorded transactions.

Effect – Sewer and water fund balances were lower than they should have been. Not submitting the requests for the water project on a timely basis caused the Water fund balance to be negative from February 2017 through April 2017. At June 30, 2017 Water Fund expenses are understated and Sewer Fund expenses are overstated \$6,816.

Recommendation – Procedures should be established to ensure requests for reimbursement of capital project expenses are made on a timely basis and recorded in the proper funds.

Response – The City of West Liberty will establish a procedure in part with the journal entries to review and reconcile receipts and transfers to ensure they are being completed as required. This reported deficiency was conveyed to City Council and the City Attorney by the City Manager well in advance of the fund balance getting to the totals they did. The City Manager requested intervention from the City Attorney to consult with the State Auditor’s Office which was delayed due to civil claim and pending litigation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public works, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.” This appears to be due to employee oversight.

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

Response – The City of West Liberty will provide more training with the City Clerk/Treasurer to identify amendments during the fiscal year. The identification of budget amounts is the responsibility of the entire financial staff and city council. The City has undergone a transition with staffing in the last year, and we will all work together on communication and review of the budget during the fiscal year going forward.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Jeff’s Market	Groceries	\$ 106

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

Response – The City of West Liberty will work with staff and educate with an updated purchase policy process to identify purchases and provided supporting documentation with receipts.

Conclusion – Response acknowledged. The City Council should document the public purpose served prior to approving such disbursements in the future.

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

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

- (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
Cara McFerren, Council Member, owner Cardinal Sign and Graphics	Signs	\$ 862

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the City Council Member does not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – The City is not in compliance with statutory provisions requiring a surety bond. The City has an ordinance requiring surety bond coverage for City officials and employees but does not have surety bond coverage. The City does have blanket bond covering theft and forgery. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Recommendation – The City should take steps to ensure compliance with requirements for surety bond coverage. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Response – The City of West Liberty will update the bond surety ordinance.

Conclusion – Response accepted.

- (6) City Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the City Council minutes but were not.

The payment for a pitching mound from Comet Baseball Club for \$538 was not approved by the City Council and listed in the meeting minutes.

Recommendation – The City Council should ensure all bills are approved and recorded in the meeting minutes.

Response – The City of West Liberty will establish a procedure to review minutes and agenda to be certain we have all the required supporting documents and complete listing of disbursements to approve.

Conclusion – Response accepted.

- (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.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

- (8) Revenue Notes – The note resolution requires sewer user rates be established at a level which produces and maintains net receipts at a level not less than 125% of the principal and interest due in the next fiscal year. The June 30, 2017 net receipts for the Enterprise, Sewer Fund are \$104,625, which is less than 125% of the \$349,535 principal and interest due in fiscal year 2018.

Recommendation – The City Council should ensure sewer rates are set at an amount sufficient to comply with the requirements of the not resolution.

Response – The City of West Liberty will work with the City’s Financial Advisors to review utility rate revenue in coordination with the required EMMA reporting for notes. The City will review rates upon expiration and implement review and studies with City Council annually.

Conclusion – Response accepted.

- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

- (10) Local Option Sales Tax (LOST) – The City’s LOST ballot requires LOST receipts be used 33.3% for property tax relief; 33.3% for streets, curbs and gutters, and sewer; and 33.3% for community development projects including but not limited to the improvement of the Library building and other City facilities, community cleanup, and infrastructure improvements. During the fiscal year ended June 30, 2017, LOST transfers were approved but not properly recorded in City accounts. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should ensure transfers are made in accordance with the LOST ballot. Additionally, disbursements should be tracked in order to document the specific criteria of the LOST ballot.

Response – The City of West Liberty will establish a procedure for the distribution of LOST transactions in accordance to the ballot and certified budget. We will include an annual report to City Council to identify disbursements of the funds in accordance to the ballot and certified budget.

Conclusion – Response accepted.

- (11) Financial Condition – The Special Revenue, Dutton Complex Trust Fund had deficit balance of \$93,956 at June 30, 2017.

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

Response – The City of West Liberty has completed and approved the transfer for fiscal year 2018 to eliminate the deficit of \$93,956 for the Dutton Complex with local option sales tax.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

(12) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” We noted the following regarding the City’s 2017 AFR:

- Certain receipts and disbursements did not agree with the City’s records. Disbursements from business type activities function were \$972,533 understated. Transfers in and out did not agree with City records.
- The beginning balances reported did not agree with the City’s records. The governmental fund total beginning balance was overstated by \$155,705 and the proprietary fund total beginning balance was understated by \$1,642,000.

Recommendation – The City should establish procedures to ensure the AFR beginning balances and financial activity is properly supported and reported.

Response – Due to the termination of the previous City Clerk the City was unable to identify very crucial information, and the year before received an unacceptable audit from a private vendor. We believe with the combination of the two circumstances the City was left vulnerable with incorrect balances and missing information. The City will work to correct the balances and establish training for the current City Clerk/Treasurer for the Annual Financial Report.

Conclusion – Response accepted.

(13) Employee Benefits Fund – The City transferred more than the actual allowed employee benefit costs to the General Fund which is contrary to rules adopted by the City Finance Committee in accordance with Chapter 384.15 of the Code of Iowa.

Recommendation – The City should review this matter and take appropriate corrective action. Also the City should ensure property tax is levied and expended for employee benefits only for employees paid from the General Fund and the Special Revenue, Road Use Tax Fund.

Response – The previous clerk had established the balance and transfers as her past practice. During the audit this missed calculation was identified and the City has established the correct calculation of general fund employees to be funded with employee benefit tax dollars for fiscal year 2018-2019. The City will continue training for the current City Clerk/Treasurer for budgeting.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2017

- (14) Separately Maintained Accounts – The Police department maintains a savings account and the Library maintains a checking account for certain operations. These transactions and resulting balances are not included in the City’s accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis.

Response – The City of West Liberty Treasurer’s report will include the Police Department Savings account balance and Library Checking account funds going forward until the City is able to create a resolution to dissolve the accounts.

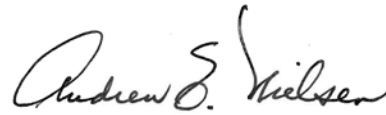
Conclusion – Response accepted.

City of West Liberty

Staff

This audit was performed by:

Katherine L. Rupp, CPA, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Elizabeth P. Dawson, Staff Auditor
Edward J. Schroder, Assistant Auditor
Rachel E. Sigmon, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State