



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

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NEWS RELEASE

FOR RELEASE

May 31, 2018

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$5,759,456 for the year ended June 30, 2017, a 28.9% increase over the prior year. The receipts included \$1,641,271 in property tax, \$152,449 from tax increment financing, \$89,972 from commercial/industrial tax replacement, \$219,609 from local option sales tax, \$1,102,741 from charges for service, \$524,720 from operating grants, contributions and restricted interest, \$77,447 from capital grants, contributions and restricted interest, \$13,750 from unrestricted interest on investments, \$1,886,790 from bond and note proceeds and \$50,707 from other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$5,513,740, a 36.9% increase over the prior year, and included \$1,716,074 for capital projects, \$655,049 for community and economic development, \$605,758 for culture and recreation and \$592,081 for public safety. Disbursements for business type activities totaled \$669,500.

The significant increase in receipts is primarily due to bond proceeds received for street and park improvements and a judgement settlement.

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/1720-0142-B00F>.

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

JUNE 30, 2017

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City of West Branch

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Laughlin	Mayor	Jan 2018
Colton Miller	Mayor Pro tem	Jan 2020
Tim Shields	Council Member	Jan 2018
Mary Beth Stevenson	Council Member	Jan 2018
Jordan Ellyson	Council Member	Jan 2020
Brian Pierce	Council Member	Jan 2020
Matt Muckler	Administrator/City Clerk	(Resigned Feb 2017)
Redmond Jones II (Appointed Jun 2017)	Administrator/City Clerk	Indefinite
Gordon Edgar	Deputy City Clerk	Indefinite
Kevin D. Olson	City Attorney	Indefinite

City of West Branch



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 38 through 44, 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 14, 2018 on our consideration of the City of West Branch's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Branch's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

May 14, 2018

City of West Branch

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Branch provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 34.0%, or \$1,222,224, from fiscal year 2016 to fiscal year 2017.
- Disbursements of the City's governmental activities increased 52.3%, or \$1,662,858, from fiscal year 2016 to fiscal year 2017.
- The City's total cash basis net position increased 10.4%, or \$245,716, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased \$92,424 and the cash basis net position of the business type activities increased \$153,292.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

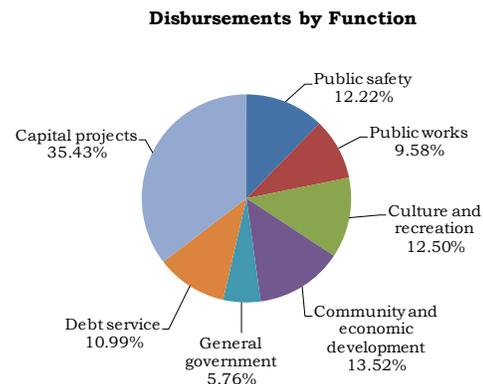
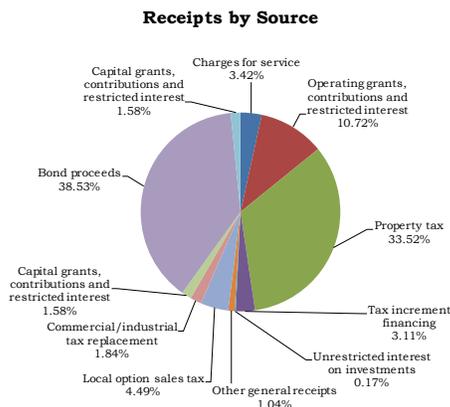
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 \$92,424 from a year ago, from \$2,109,239 to \$2,201,663. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 167,613	181,548
Operating grants, contributions and restricted interest	524,720	538,153
Capital grants, contributions and restricted interest	77,447	-
General receipts:		
Property tax	1,641,271	1,574,990
Tax increment financing	152,449	154,260
Commercial/industrial tax replacement	89,972	88,994
Local option sales tax	219,609	183,720
Unrestricted interest on investments	8,283	2,586
Bond proceeds	1,886,790	849,850
Other general receipts	50,707	22,536
Total receipts	4,818,861	3,596,637
Disbursements:		
Public safety	592,081	695,809
Public works	463,907	438,783
Culture and recreation	605,758	727,100
Community and economic development	655,049	64,898
General government	278,833	399,311
Debt service	532,538	372,115
Capital projects	1,716,074	483,366
Total disbursements	4,844,240	3,181,382
Change in cash basis net position before transfers	(25,379)	415,255
Transfers, net	117,803	101,476
Change in cash basis net position	92,424	516,731
Cash basis net position beginning of year	2,109,239	1,592,508
Cash basis net position end of year	\$ 2,201,663	2,109,239



The City's total receipts for governmental activities increased 34.0%, or \$1,222,234, over the prior year. The significant increase in receipts is primarily due to bond and note proceeds received for street and park improvements and a judgement settlement.

The total cost of all programs and services increased \$1,662,858, or 52.3%. This increase is primarily due to increases in disbursements in the capital projects and community and economic development functions for street and park projects and a settlement payment.

The cost of all governmental activities this year was \$4,844,240 compared to \$3,181,382 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16 and 17, the amount taxpayers ultimately financed for these activities was only \$4,074,460 because some of the cost was paid by those who directly benefiting from the programs (\$167,613) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$602,167). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased by \$50,079 in fiscal year 2017. The City paid for the remaining "public benefit" portion of governmental activities with property tax, local option sales tax, bond proceeds and other receipts, such as interest and miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 518,967	484,844
Sewer	366,361	340,548
Storm water	49,800	45,605
General receipts:		
Unrestricted interest on investments	5,467	1,051
Total receipts	<u>940,595</u>	<u>872,048</u>
Disbursements:		
Water	398,281	497,981
Sewer	205,396	275,328
Storm water	65,823	74,292
Total disbursements	<u>669,500</u>	<u>847,601</u>
Change in cash basis net position before transfers	271,095	24,447
Transfers, net	<u>(117,803)</u>	<u>(101,476)</u>
Change in cash basis net position	153,292	(77,029)
Cash basis net position beginning of year	<u>243,146</u>	<u>320,175</u>
Cash basis net position end of year	<u>\$ 396,438</u>	<u>243,146</u>

Total business type activities receipts for the fiscal year were \$940,595 compared to \$872,048 last year. The cash balance increased \$153,292 over the prior year. Total disbursements for the fiscal year decreased 21.0% to \$669,500. The decrease in disbursements is due to the City having fewer capital projects this year compared to the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Branch completed the year, its governmental funds reported a combined cash balance of \$2,201,663, an increase of \$92,424 over last year's total of \$2,109,239. The following are reasons for changes in cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$420,251, or 63.6%, over the prior year to \$1,081,461. Receipts increased \$145,871 and disbursements decreased \$398,412. The decrease in disbursements is due to disbursements in the prior year for communication equipment, playground equipment and legal fees.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$127,719 to \$62,478. Receipts increased \$2,085 and disbursements increased \$64,769, primarily due to more capital improvements.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$18,586 to \$53,826. Receipts decreased \$1,150. Transfers out decreased \$22,212 in fiscal year 2017 due to less transfers to the Debt Service Fund to cover general obligation principal and interest payments payable from tax increment financing receipts. The City received \$495,000 of note proceeds to pay a lawsuit settlement.
- The Debt Service Fund cash balance decreased \$104,732, or 98.9%, from June 30, 2016 to June 30, 2017. Receipts decreased \$34,696. Disbursements for debt service increased \$160,423 since the City paid approximately \$162,000 in advance on the 2013 general obligation property acquisition note.
- The Capital Project Fund cash balance increased \$34,524 to \$590,418 from June 30, 2016 to June 30, 2017, primarily due to the receipt of \$1,391,790 in bond proceeds and \$330,000 of transfers in, offset by disbursements of \$1,716,074 for capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$50,282 to \$119,777. Water Fund operating receipts increased \$34,123 or 7.0%, due to a water rate increase during fiscal year 2017. Disbursements decreased \$99,700 due to fewer capital projects.
- The Enterprise, Sewer Fund cash balance increased \$74,033 to \$215,610. Sewer Fund operating receipts increased \$25,813 or 7.6%, primarily due to a sewer rate increase during fiscal year 2017. Disbursements decreased \$69,932 due to fewer capital projects.
- The Enterprise, Storm Water Fund was established during fiscal year 2015 to address the City's drainage and flooding problems. The Storm Water Fund cash balance increased \$28,977 to \$61,051. Receipts increased \$4,195, or 9.2%, and disbursements decreased \$8,469, primarily due to fewer capital projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments were approved on August 15, 2016 and May 15, 2017 and primarily related to bond proceeds received for capital projects and a lawsuit settlement.

The City's receipts were \$237,941, or 6.6% more than budgeted.

The City's disbursements were \$1,084,287 less than the amended budget. This was primarily due to a delay in construction projects.

DEBT ADMINISTRATION

At June 30, 2017, the City had \$5,195,352 of bonds and other long-term debt outstanding, compared to \$3,795,805 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2017	2016
General obligation bonds/note	\$ 4,700,757	3,250,757
Revenue bonds	492,000	539,000
Lease-purchase agreements	2,595	6,048
Total	\$ 5,195,352	3,795,805

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 \$4,703,352 is below its constitutional debt limit of approximately \$10 million.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

A top priority for the City Council in adopting the fiscal year 2018 budget was retaining the tax levy at \$12.59 per thousand dollars of taxable value.

Budgeted revenues for fiscal year 2018 are \$4,321,299, an increase of approximately \$694,000 compared to the fiscal year 2017 budget. The increase is primarily made up of \$500,000 of federal bridge construction grants and \$100,000 in tax increment financing. Disbursements are budgeted at \$8,283,463, an increase of \$1,685,443 over fiscal year 2017. The increase in disbursements is for the capital projects function which is budgeted at \$4,541,269, primarily for park improvements and a bridge replacement.

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 Redmond Jones II, City Clerk, 110 N. Poplar Street, PO Box 218, West Branch, Iowa 52358-0218.

Basic Financial Statements

City of West Branch

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 592,081	20,843	166,302	28,808
Public works	463,907	95,376	300,262	-
Culture and recreation	605,758	44,436	56,862	-
Community and economic development	655,049	-	-	-
General government	278,833	6,958	-	-
Debt service	532,538	-	1,294	-
Capital projects	1,716,074	-	-	48,639
Total governmental activities	4,844,240	167,613	524,720	77,447
Business type activities:				
Water	398,281	518,967	-	-
Sewer	205,396	366,361	-	-
Storm water	65,823	49,800	-	-
Total business type activities	669,500	935,128	-	-
Total Primary Government	\$ 5,513,740	1,102,741	524,720	77,447
Component Units:				
Friends of the West Branch Public Library	\$ 3,903	-	4,629	-
West Branch Firefighters	56,510	-	46,016	-
Total component units	\$ 60,413	-	50,645	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Commercial/industrial tax replacement				
Local option sales tax				
Unrestricted interest on investments				
Bond and note proceeds				
Miscellaneous				
Sale of equipment				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Krouth principal				
Expendable:				
Civic center				
Streets				
Employee benefits				
Fire				
Park improvements				
Library				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
Primary Government			Component Units	
Governmental Activities	Business Type Activities	Total	Friends of the West Branch Public Library	West Branch Firefighters
(376,128)	-	(376,128)		
(68,269)	-	(68,269)		
(504,460)	-	(504,460)		
(655,049)	-	(655,049)		
(271,875)	-	(271,875)		
(531,244)	-	(531,244)		
<u>(1,667,435)</u>	<u>-</u>	<u>(1,667,435)</u>		
<u>(4,074,460)</u>	<u>-</u>	<u>(4,074,460)</u>		
-	120,686	120,686		
-	160,965	160,965		
-	<u>(16,023)</u>	<u>(16,023)</u>		
-	265,628	265,628		
<u>(4,074,460)</u>	<u>265,628</u>	<u>(3,808,832)</u>		
			726	-
			<u>-</u>	<u>(10,494)</u>
			<u>726</u>	<u>(10,494)</u>
1,429,768	-	1,429,768	-	-
211,503	-	211,503	-	-
152,449	-	152,449	-	-
89,972	-	89,972	-	-
219,609	-	219,609	-	-
8,283	5,467	13,750	703	6
1,886,790	-	1,886,790	-	-
43,131	-	43,131	-	-
7,576	-	7,576	-	-
<u>117,803</u>	<u>(117,803)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,166,884</u>	<u>(112,336)</u>	<u>4,054,548</u>	<u>703</u>	<u>6</u>
92,424	153,292	245,716	1,429	(10,488)
<u>2,109,239</u>	<u>243,146</u>	<u>2,352,385</u>	<u>59,605</u>	<u>36,251</u>
<u>\$ 2,201,663</u>	<u>396,438</u>	<u>2,598,101</u>	<u>61,034</u>	<u>25,763</u>
\$ 111,586	-	111,586	-	-
51,334	-	51,334	-	-
31,089	-	31,089	-	-
62,478	-	62,478	-	-
64,817	-	64,817	-	-
-	-	-	-	25,763
115,314	-	115,314	-	-
120,735	-	120,735	61,034	-
54,910	4,761	59,671	-	-
590,418	-	590,418	-	-
96,529	8,000	104,529	-	-
<u>902,453</u>	<u>383,677</u>	<u>1,286,130</u>	<u>-</u>	<u>-</u>
<u>\$ 2,201,663</u>	<u>396,438</u>	<u>2,598,101</u>	<u>61,034</u>	<u>25,763</u>

City of West Branch

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

As of and for the year ended June 30, 2017

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 1,214,622	-	-
Tax increment financing	-	-	152,449
Other city tax	21,052	-	-
Licenses and permits	49,282	-	-
Use of money and property	8,901	-	1,322
Intergovernmental	258,231	288,262	-
Charges for service	116,572	-	-
Miscellaneous	133,158	774	-
Total receipts	1,801,818	289,036	153,771
Disbursements:			
Operating:			
Public safety	502,521	-	-
Public works	178,917	266,755	-
Culture and recreation	535,850	-	-
Community and economic development	69,823	-	494,924
General government	260,020	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,547,131	266,755	494,924
Excess (deficiency) of receipts over (under) disbursements	254,687	22,281	(341,153)
Other financing sources (uses):			
Bond proceeds, net of \$8,210 discount	-	-	495,000
Sale of capital assets	7,576	-	-
Transfers in	239,308	-	-
Transfers out	(81,320)	(150,000)	(172,433)
Total other financing sources (uses)	165,564	(150,000)	322,567
Change in cash balances	420,251	(127,719)	(18,586)
Cash balances beginning of year	661,210	190,197	72,412
Cash balances end of year	\$ 1,081,461	62,478	53,826
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ -	-	-
Krouth principal	-	-	-
Restricted for:			
Civic center	31,089	-	-
Streets	-	62,478	-
Employee benefits	-	-	-
Park improvements	-	-	-
Library	102,153	-	-
Debt service	-	-	53,826
Capital projects	-	-	-
Other purposes	45,766	-	-
Assigned for equipment reserves	410,810	-	-
Unassigned	491,643	-	-
Total cash basis fund balances	\$ 1,081,461	62,478	53,826

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
208,006	-	190,725	1,613,353
-	-	-	152,449
3,497	-	222,978	247,527
-	-	-	49,282
1,294	-	2,305	13,822
11,065	28,808	10,702	597,068
-	-	-	116,572
-	-	490	134,422
<u>223,862</u>	<u>28,808</u>	<u>427,200</u>	<u>2,924,495</u>
-	-	89,560	592,081
-	-	18,235	463,907
-	-	69,908	605,758
-	-	90,302	655,049
-	-	18,813	278,833
532,538	-	-	532,538
-	1,716,074	-	1,716,074
<u>532,538</u>	<u>1,716,074</u>	<u>286,818</u>	<u>4,844,240</u>
<u>(308,676)</u>	<u>(1,687,266)</u>	<u>140,382</u>	<u>(1,919,745)</u>
-	1,391,790	-	1,886,790
-	-	-	7,576
203,944	330,000	36,320	809,572
-	-	(288,016)	(691,769)
<u>203,944</u>	<u>1,721,790</u>	<u>(251,696)</u>	<u>2,012,169</u>
(104,732)	34,524	(111,314)	92,424
<u>105,816</u>	<u>555,894</u>	<u>523,710</u>	<u>2,109,239</u>
<u>1,084</u>	<u>590,418</u>	<u>412,396</u>	<u>2,201,663</u>
-	-	111,586	111,586
-	-	51,334	51,334
-	-	-	31,089
-	-	-	62,478
-	-	64,817	64,817
-	-	115,314	115,314
-	-	18,582	120,735
1,084	-	-	54,910
-	590,418	-	590,418
-	-	50,763	96,529
-	-	-	410,810
-	-	-	491,643
<u>1,084</u>	<u>590,418</u>	<u>412,396</u>	<u>2,201,663</u>

City of West Branch

City of West Branch

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

As of and for the year ended June 30, 2017

	Enterprise			
	Water	Sewer	Storm Water	Total
Operating receipts:				
Charges for service	\$ 514,152	366,361	49,800	930,313
Miscellaneous	4,815	-	-	4,815
Total operating receipts	518,967	366,361	49,800	935,128
Operating disbursements:				
Business type activities	296,547	188,840	65,823	551,210
Excess of operating receipts over operating disbursements	222,420	177,521	(16,023)	383,918
Non-operating receipts (disbursements):				
Interest on investments	1,874	3,593	-	5,467
Debt service	(58,355)	-	-	(58,355)
Capital projects	(43,379)	(16,556)	-	(59,935)
Total non-operating disbursements	(99,860)	(12,963)	-	(112,823)
Excess (deficiency) of receipts over (under) disbursements	122,560	164,558	(16,023)	271,095
Transfers in	-	-	45,000	45,000
Transfers out	(72,278)	(90,525)	-	(162,803)
Total transfers in (out)	(72,278)	(90,525)	45,000	(117,803)
Change in cash balances	50,282	74,033	28,977	153,292
Cash balances beginning of year	69,495	141,577	32,074	243,146
Cash balances end of year	\$ 119,777	215,610	61,051	396,438
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 4,761	-	-	4,761
Customer deposits	8,000	-	-	8,000
Unrestricted	107,016	215,610	61,051	383,677
Total cash basis fund balances	\$ 119,777	215,610	61,051	396,438

See notes to financial statements.

City of West Branch

City of West Branch

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of West Branch is a political subdivision of the State of Iowa located in Cedar and Johnson Counties. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and storm water utilities for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Units

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

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

Blended Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Capital Projects Fund is utilized 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, Storm Water Fund accounts for the operation and maintenance of the City's storm water system.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Assigned – Amounts the City 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 in the community and economic development function exceeded the amount budgeted prior to the budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions 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 Note Payable

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

Year Ending June 30,	General Obligation Bonds/Note							
	Water Improvement		Property Acquisition		Street Improvement		Park Improvements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 165,000	36,940	90,757	2,723	85,000	14,420	85,000	15,848
2019	165,000	35,290	-	-	85,000	13,145	85,000	14,998
2020	170,000	33,475	-	-	85,000	11,870	85,000	14,148
2021	175,000	31,350	-	-	85,000	10,255	85,000	13,043
2022	175,000	28,900	-	-	90,000	8,640	90,000	11,938
2023-2027	715,000	98,990	-	-	285,000	13,740	470,000	37,589
2028-2032	435,000	38,950	-	-	-	-	100,000	2,100
Total	\$ 2,000,000	303,895	90,757	2,723	715,000	72,070	1,000,000	109,664

Urban Renewal		Judgement Settlement		Water Revenue Bond		Total		Total
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
-	8,245	-	16,088	48,000	8,750	473,757	103,014	576,771
45,000	8,245	99,000	16,088	50,000	7,843	529,000	95,609	624,609
45,000	7,548	99,000	12,870	51,000	6,909	535,000	86,820	621,820
50,000	6,850	99,000	9,652	53,000	5,958	547,000	77,108	624,108
50,000	5,900	99,000	6,435	55,000	4,950	559,000	66,763	625,763
210,000	12,925	99,000	3,218	235,000	9,173	2,014,000	175,635	2,189,635
-	-	-	-	-	-	535,000	41,050	576,050
400,000	49,713	495,000	64,351	492,000	43,583	5,192,757	645,999	5,838,756

On March 5, 2013, the City issued \$2,730,000 of general obligation corporate purpose and refunding bonds to provide funds to pay the costs of constructing improvements to the municipal sanitary sewer, wastewater treatment and waterworks systems and to currently refund the outstanding balance of the City's 2005 general obligation bonds. The bonds bear interest at rates ranging from 1% to 3% per annum and mature on June 1, 2032. During fiscal year 2017, the City paid principal of \$165,000 and interest of \$38,590 on the bonds. The outstanding principal balance at June 30, 2017 was \$2,000,000.

On July 31, 2013, the City issued a \$400,000 general obligation property acquisition note to fund the purchase of land for future park space. The note bears interest at 3.0% per annum and matures on June 1, 2023. During fiscal year 2017, the City paid principal of \$200,000 and interest of \$7,514 on the note. The outstanding principal balance at June 30, 2017 was \$90,757.

On August 8, 2015, the City issued \$855,000 of general obligation corporate purpose bonds to provide funds to pay the costs of constructing improvements to Main Street and 4th Street. The bonds bear interest at rates ranging from 1.10% to 2.40% per annum and mature on June 1, 2025. During fiscal year 2017, the City paid principal of \$80,000 and interest of \$15,300 on the bonds. The outstanding principal balance at June 30, 2017 was \$715,000.

On July 19, 2016, the City issued \$1,000,000 of general obligation corporate purpose bonds to provide funds to pay the costs of constructing street, storm water drainage, sidewalk, water system, sanitary sewer system and park improvements. The bonds bear interest at rates ranging from 1.0% to 2.1% per annum and matures on June 1, 2028. During the fiscal year 2017, the City paid \$13,734 of interest on the bond. The outstanding principal balance at June 30, 2017 was \$1,000,000.

On July 19, 2016, the City issued \$400,000 of general obligation urban renewal bonds to provide funds for an urban renewal project. The bonds bear interest at rates ranging from 1.55% to 2.5% per annum and matures on June 1, 2026. During fiscal year 2017, the City paid \$7,146 of interest on the bonds. The outstanding principal balance at June 30, 2017 was \$400,000.

On March 7, 2017, the City issued a \$495,000 general obligation judgement settlement note to provide funds to settle a judgement against the City. The note bears interest at 3.25% per annum and matures on June 1, 2023. During fiscal year 2017, the City paid \$3,754 of interest on the note. The outstanding principal balance at June 30, 2017 was \$495,000.

On June 2, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$860,000 of water revenue bonds with an interest rate of 3.0% per annum. The Iowa Finance Authority approved a reduction to the interest rate from 3.0% per annum to 1.75% per annum effective December 1, 2015. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2017, the City paid principal of \$43,000 and interest of \$8,628 on the bonds. The outstanding principal balance at June 30, 2017 was \$450,000.

On April 5, 2007, the City entered into an agreement with the Iowa Finance Authority and Wells Fargo Bank, N.A. for the issuance of \$83,000 of water revenue bonds with an interest rate of 3.0% per annum. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2017, the City paid principal of \$4,000 and interest of \$1,380 on the bonds. The outstanding principal balance at June 30, 2017 was \$42,000.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds issued in June 2005 and April 2007. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds for the current year required less than 26% of net receipts. The total principal and interest remaining to be paid on the two bond issues is \$535,583. For the current year, total principal and interest paid on the water revenue bonds was \$57,008 and total customer net receipts were \$222,420.

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

- (a) The bonds will only be redeemed from the future earnings of the Water Fund and the bond holders hold a lien on the future earnings of the fund.

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

(4) Lease-Purchase Agreements

On September 24, 2013, the City entered into an agreement to lease a copier for the Library at a total cost of \$3,540, including interest at 3.49% per annum. During the year ended June 30, 2017, the City made principal payments of \$663 and interest payments of \$45 on this capital lease.

On December 17, 2014, the City entered into an agreement to lease a copier at a total cost of \$8,253, including interest at 3.49% per annum. During the year ended June 30, 2017, the City made principal payments of \$2,790 and interest payments of \$111 on this capital lease.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2017:

Year Ending June 30,	Lanier Copier	Savin Copier	Total
2018	\$ 1,693	708	2,401
2019	-	236	236
Total	1,693	944	2,637
Less amount representing interest	(19)	(23)	(42)
Present value of net minimum lease payments	\$ 1,674	921	2,595

(5) 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 at age 55. The formula used to calculate a protection member’s monthly IPERS benefits includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for 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 were \$81,239.

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 \$517,896 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 0.008229% which was an increase of 0.000497% 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 \$77,319, \$199,611 and \$96,332, 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:

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 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	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 940,107	517,896	161,674

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.

(6) 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 12 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$644 for single coverage and \$1,610 for family coverage. For the year ended June 30, 2017, the City contributed \$96,920 and plan members eligible for benefits contributed \$23,628 to the plan.

(7) Compensated Absences

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

Employees eligible for retirement will receive either one-half or one-quarter of their accumulated sick leave balance, dependent on the date they were hired. No employees were eligible for sick leave benefits at June 30, 2017.

The City’s approximate liability for earned vacation payable to employees at June 30, 2017, primarily relating to the General Fund, was approximately \$49,000. This liability has been computed based on rates of pay in effect at June 30, 2017.

(8) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 131,292
	Local Option Sales Tax	108,016
		<u>239,308</u>
Special Revenue:	General	<u>36,320</u>
Revolving Loan	Special Revenue:	
Debt Service	Urban Renewal Tax Increment	41,141
	Enterprise:	
	Water	72,278
	Sewer	90,525
		<u>203,944</u>
Capital Projects	Special Revenue:	
	Road Use Tax	150,000
	Local Option Sales Tax	180,000
		<u>330,000</u>
Enterprise:	General	<u>45,000</u>
Storm Water		
Total		<u>\$ 854,572</u>

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

(9) Development Agreement

In May 2015, the City entered into a development agreement with Casey's Marketing Company (Casey's). Under the agreement, Casey's agreed to construct a convenience store with gasoline sales facilities in return for economic development tax increment payments from the City over twenty years. The total to be paid by the City under the agreement is not to exceed \$561,349. At June 30, 2017, no payments had been made under the agreement.

(10) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2017 were \$40,253.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

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

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

(11) Revolving Loan Fund

In 2001, the City established a revolving loan fund (RLF) to provide loans to promote economic development within the City. The RLF was established with proceeds from an economic development set-aside grant. At June 30, 2017, active loans made during the year had an outstanding balance of \$50,763 consisting of \$14,443 for loans to individual property owners and \$36,320 for a loan to the City.

(12) Construction Contracts

The City entered into engineering and construction contracts totaling \$1,792,630. As of June 30, 2017, \$1,110,015 has been paid on the contracts. The remaining \$682,615 will be paid as work on the projects progresses.

(13) Subsequent Event

On December 5, 2017, the City issued \$4,200,000 of general obligation corporate purpose bonds for construction of park, bridge, street, sanitary sewer systems and water system improvements. The bonds are payable from a combination of a property tax, tax increment financing and local option sales tax receipts.

(14) 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 Branch

Other Information

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

Other Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 1,613,353	-	-	1,613,353
Tax increment financing	152,449	-	-	152,449
Other city tax	247,527	-	-	247,527
Licenses and permits	49,282	-	-	49,282
Use of money and property	13,822	5,467	-	19,289
Intergovernmental	597,068	-	-	597,068
Charges for service	116,572	930,313	-	1,046,885
Miscellaneous	134,422	4,815	-	139,237
Total receipts	<u>2,924,495</u>	<u>940,595</u>	<u>-</u>	<u>3,865,090</u>
Disbursements:				
Public safety	592,081	-	-	592,081
Public works	463,907	-	-	463,907
Culture and recreation	605,758	-	7	605,751
Community and economic development	655,049	-	-	655,049
General government	278,833	-	-	278,833
Debt service	532,538	-	-	532,538
Capital projects	1,716,074	-	-	1,716,074
Business type activities	-	669,500	-	669,500
Total disbursements	<u>4,844,240</u>	<u>669,500</u>	<u>7</u>	<u>5,513,733</u>
Excess (deficiency) of receipts over (under) disbursements	(1,919,745)	271,095	(7)	(1,648,643)
Other financing sources, net	<u>2,012,169</u>	<u>(117,803)</u>	<u>-</u>	<u>1,894,366</u>
Excess (deficiency) of receipts and other financing sources under disbursements and other financing uses	92,424	153,292	(7)	245,723
Balances beginning of year	<u>2,109,239</u>	<u>243,146</u>	<u>7</u>	<u>2,352,378</u>
Balances end of year	<u>\$ 2,201,663</u>	<u>396,438</u>	<u>-</u>	<u>2,598,101</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
1,613,993	1,613,993	(640)
150,000	150,000	2,449
196,582	196,582	50,945
35,788	35,788	13,494
3,900	3,900	15,389
555,257	555,257	41,811
1,024,929	1,024,929	21,956
46,700	46,700	92,537
<u>3,627,149</u>	<u>3,627,149</u>	<u>237,941</u>
701,971	701,971	109,890
493,386	493,386	29,479
644,565	644,565	38,814
56,973	671,718	16,669
255,763	295,763	16,930
407,485	542,485	9,947
396,385	2,292,935	576,861
955,197	955,197	285,697
<u>3,911,725</u>	<u>6,598,020</u>	<u>1,084,287</u>
(284,576)	(2,970,871)	1,322,228
<u>-</u>	<u>1,880,000</u>	<u>14,366</u>
(284,576)	(1,090,871)	1,336,594
<u>2,082,146</u>	<u>2,352,380</u>	<u>(2)</u>
<u>1,797,570</u>	<u>1,261,509</u>	<u>1,336,592</u>

City of West Branch

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,686,295. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the community and economic development function prior to the budget amendment.

City of West Branch

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	0.008229%	0.007732%	0.006950%
City's proportionate share of the net pension liability	\$ 518	382	276
City's covered-employee payroll	\$ 782	727	671
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	66.24%	52.54%	41.13%
IPERS' net position as a percentage of the total pension liability	81.82%	85.91%	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 Branch

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	\$ 81	72	67	62
Contributions in relation to the statutorily required contribution	(81)	(72)	(67)	(62)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 882	782	727	671
Contributions as a percentage of covered-employee payroll	9.18%	9.21%	9.22%	9.24%

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

See accompanying independent auditor's report.

2013	2012	2011	2010	2009
55	42	46	43	35
(55)	(42)	(46)	(43)	(35)
-	-	-	-	-
598	592	611	563	502
9.20%	7.09%	7.53%	7.64%	6.97%

City of West Branch

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation passed 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 Branch

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

As of and for the year ended June 30, 2017

	Special Revenue			
	Employee Benefits	Local		Krouth
		Option Sales Tax	West Branch Dog Park	
Receipts:				
Property tax	\$ 190,725	-	-	-
Other city tax	3,369	219,609	-	-
Use of money and property	-	-	-	76
Intergovernmental	10,702	-	-	-
Miscellaneous	-	-	-	10
Total receipts	204,796	219,609	-	86
Disbursements:				
Operating:				
Public safety	89,560	-	-	-
Public works	18,235	-	-	-
Culture and recreation	69,901	-	7	-
Community and economic development	-	-	-	-
General government	18,813	-	-	-
Total disbursements	196,509	-	7	-
Excess (deficiency) of receipts over (under) disbursements	8,287	219,609	(7)	86
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(288,016)	-	-
Total other financing sources (uses)	-	(288,016)	-	-
Change in cash balances	8,287	(68,407)	(7)	86
Cash balances beginning of year	56,530	183,721	7	18,496
Cash balances end of year	\$ 64,817	115,314	-	18,582
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
Krouth principal	-	-	-	-
Restricted for:				
Employee benefits	64,817	-	-	-
Park improvements	-	115,314	-	-
Library	-	-	-	18,582
Other purposes	-	-	-	-
Total cash basis fund balances	\$ 64,817	115,314	-	18,582

See accompanying independent auditor's report.

Revolving Loan	Permanent		Total
	Krouth Principal	Cemetery Perpetual Care	
-	-	-	190,725
-	-	-	222,978
-	383	1,846	2,305
-	-	-	10,702
-	-	480	490
-	383	2,326	427,200
-	-	-	89,560
-	-	-	18,235
-	-	-	69,908
90,302	-	-	90,302
-	-	-	18,813
90,302	-	-	286,818
(90,302)	383	2,326	140,382
36,320	-	-	36,320
-	-	-	(288,016)
36,320	-	-	(251,696)
(53,982)	383	2,326	(111,314)
104,745	50,951	109,260	523,710
50,763	51,334	111,586	412,396
-	-	111,586	111,586
-	51,334	-	51,334
-	-	-	64,817
-	-	-	115,314
-	-	-	18,582
50,763	-	-	50,763
50,763	51,334	111,586	412,396

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Corporate purpose and refunding	Mar 5, 2013	1.00-3.00%	\$ 2,730,000
Property acquisition	Jul 31, 2013	3.00	400,000
Corporate purpose - street improvement	Aug 8, 2015	1.10-2.40	855,000
Corporate purpose - Essential projects and park improvements	Jul 19, 2016	1.00-2.10	1,000,000
Urban renewal	Jul 19, 2016	1.55-2.50	400,000
Judgment settlement	Mar 7, 2017	3.25%	495,000
Total			
Revenue bonds:			
Water	Jun 2, 2005 *	1.75%	\$ 860,000
Water	Apr 5, 2007 *	3.00	83,000
Total			
Lease-purchase agreements:			
Savin copier	Sep 24, 2013	3.49%	\$ 3,540
Lanier copier	Dec 17, 2014	3.49	8,253
Total			

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,165,000	-	165,000	2,000,000	38,590
290,757	-	200,000	90,757	7,514
795,000	-	80,000	715,000	15,300
-	1,000,000	-	1,000,000	13,734
-	400,000	-	400,000	7,146
-	495,000	-	495,000	3,754
<u>\$ 3,250,757</u>	<u>1,895,000</u>	<u>445,000</u>	<u>4,700,757</u>	<u>86,038</u>
493,000	-	43,000	450,000	8,628
46,000	-	4,000	42,000	1,380
<u>\$ 539,000</u>	<u>-</u>	<u>47,000</u>	<u>492,000</u>	<u>10,008</u>
1,584	-	663	921	45
4,464	-	2,790	1,674	111
<u>\$ 6,048</u>	<u>-</u>	<u>3,453</u>	<u>2,595</u>	<u>156</u>

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

Year Ending June 30,	General Obligation Bonds/Notes							
	Water Improvement Note		Property Acquisition Note		Street Improvement Bonds		Essential Projects and Park Improvement Bonds	
	Issued Mar 5, 2013		Issued Jul 31, 2013		Issued Aug 8, 2015		Issued Jul 19, 2016	
	Interest		Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2018	1.00%	\$ 165,000	3.00%	\$ 90,757	1.50%	\$ 85,000	1.00%	85,000
2019	1.10	165,000	-	-	1.50	85,000	1.00	85,000
2020	1.25	170,000	-	-	1.90	85,000	1.30	85,000
2021	1.40	175,000	-	-	1.90	85,000	1.30	85,000
2022	1.55	175,000	-	-	2.20	90,000	1.50	90,000
2023	1.70	180,000	-	-	2.20	90,000	1.50	90,000
2024	1.85	185,000	-	-	2.40	95,000	1.75	90,000
2025	2.00	190,000	-	-	2.40	100,000	1.75	95,000
2026	2.30	80,000	-	-	-	-	2.00	95,000
2027	2.30	80,000	-	-	-	-	2.00	100,000
2028	2.50	80,000	-	-	-	-	2.10	100,000
2029	2.50	85,000	-	-	-	-	-	-
2030	3.00	85,000	-	-	-	-	-	-
2031	3.00	90,000	-	-	-	-	-	-
2032	3.00	95,000	-	-	-	-	-	-
Total		<u>\$ 2,000,000</u>		<u>90,757</u>		<u>715,000</u>		<u>1,000,000</u>

See accompanying independent auditor's report.

Urban Renewal Bonds					Judgement Settlement Note					Revenue Bonds									
Issued Jul 19, 2016					Issued Mar 7, 2017					Issued Jun 2, 2005					Issued Apr 5, 2007				
Interest		Interest		Total	Interest		Interest		Total	Interest		Interest		Total					
Rates	Amount	Rates	Amount		Rates	Amount	Rates	Amount		Rates	Amount								
1.55%	-	3.25%	-	425,757	1.75%	\$ 44,000	3.00%	\$ 4,000	48,000										
1.55	45,000	3.25	99,000	479,000	1.75	46,000	3.00	4,000	50,000										
1.90	45,000	3.25	99,000	484,000	1.75	47,000	3.00	4,000	51,000										
1.90	50,000	3.25	99,000	494,000	1.75	48,000	3.00	5,000	53,000										
2.20	50,000	3.25	99,000	504,000	1.75	50,000	3.00	5,000	55,000										
2.20	50,000	3.25	99,000	509,000	1.75	51,000	3.00	5,000	56,000										
2.50	50,000	-	-	420,000	1.75	53,000	3.00	5,000	58,000										
2.50	55,000	-	-	440,000	1.75	55,000	3.00	5,000	60,000										
2.50	55,000	-	-	230,000	1.75	56,000	3.00	5,000	61,000										
-	-	-	-	180,000	-	-	-	-	-										
-	-	-	-	180,000	-	-	-	-	-										
-	-	-	-	85,000	-	-	-	-	-										
-	-	-	-	85,000	-	-	-	-	-										
-	-	-	-	90,000	-	-	-	-	-										
-	-	-	-	95,000	-	-	-	-	-										
<u>400,000</u>		<u>495,000</u>		<u>4,700,757</u>	<u>450,000</u>		<u>42,000</u>		<u>492,000</u>										

City of West Branch

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

For the Last Ten Years

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 1,613,353	1,544,428	1,537,122	1,559,380
Tax increment financing	152,449	154,260	215	36,912
Other city tax	247,527	214,282	173,221	147,596
Licenses and permits	49,282	58,941	54,892	65,481
Use of money and property	13,822	7,516	5,984	6,817
Intergovernmental	597,068	592,752	486,289	394,359
Charges for service	116,572	107,827	94,935	97,863
Miscellaneous	134,422	66,781	154,161	216,635
Total	\$ 2,924,495	2,746,787	2,506,819	2,525,043
Disbursements:				
Operating:				
Public safety	\$ 592,081	695,809	835,978	556,440
Public works	463,907	438,783	609,663	480,201
Culture and recreation	605,758	727,100	571,811	925,633
Community and economic development	655,049	64,898	147,241	85,428
General government	278,833	399,311	231,897	198,704
Debt service	532,538	372,115	468,291	340,488
Capital projects	1,716,074	483,366	6,798	-
Total	\$ 4,844,240	3,181,382	2,871,679	2,586,894

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
1,329,716	1,157,867	1,035,262	1,053,701	951,189	826,020
97,387	374,400	963,646	656,110	671,841	529,777
166,392	112,030	-	27,102	30,656	57,272
60,216	47,563	51,699	28,952	38,155	37,783
7,083	10,027	14,338	18,138	22,468	56,450
381,215	427,391	357,947	543,714	601,917	3,468,113
83,971	71,122	68,253	81,074	62,696	54,345
153,030	178,850	97,210	113,503	142,451	441,900
<u>2,279,010</u>	<u>2,379,250</u>	<u>2,588,355</u>	<u>2,522,294</u>	<u>2,521,373</u>	<u>5,471,660</u>
495,520	461,258	553,784	761,338	568,777	450,250
706,656	573,811	427,260	425,684	598,898	1,189,970
457,409	499,060	397,686	357,108	343,912	266,101
21,250	484,467	971,569	682,578	666,570	2,509,495
221,738	252,766	183,459	198,461	354,240	183,185
1,650,192	210,283	125,157	125,628	125,000	654,723
-	252,978	128,745	-	-	146,273
<u>3,552,765</u>	<u>2,734,623</u>	<u>2,787,660</u>	<u>2,550,797</u>	<u>2,657,397</u>	<u>5,399,997</u>

City of West Branch



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 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 14, 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 Branch's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Branch's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Branch's internal control.

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

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

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

Compliance and Other Matters

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

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

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

May 14, 2018

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 – Generally, one individual in the City has control over each of the following areas:

- (1) Receipts – collecting, depositing and posting.
- (2) Payroll – entering timesheets and processing and distributing payroll. In addition, independent review of payroll journals was not consistently performed or documented.
- (3) Journal entries – initiating and posting with no independent review.

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

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

For the Friends of the West Branch Library, one individual has control over each of the following areas:

- (1) Receipts – collecting at the annual book sale, depositing, posting, and reconciling.
- (2) Disbursements – preparing, recording and reconciling.

Cause – The City, the West Branch Firefighters and the Friends of the West Branch Library 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 each entity’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, the West Branch Firefighters and the Friends of the West Branch Library 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 Branch

Schedule of Findings

Year ended June 30, 2017

Response and Corrective Action Planned –

City – City staff agrees with this finding and will continue to work to implement suggestions contained within the recommendation. The Finance Officer will review receipts and payroll reports and sign off on them. The Deputy City Clerk will review the journal entries and the City Administrator will approve the bank reconciliations and financial statements.

West Branch Firefighters – Staff agrees with this finding and will work to implement suggestions contained within the recommendation. Staff will ensure transactions are not prepared, recorded and reconciled by one individual.

Friends of the Library – Staff agrees with this finding and will work to implement suggestions contained within the recommendation. Staff will ensure collecting, depositing, posting and reconciling funds at the next annual book sale is not performed by one individual. Disbursements will be reviewed by an independent person.

Conclusion – Response accepted.

(B) Fire Department Account Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to reconciling monthly bank statements to the book balance to ensure the accuracy of the book balance.

Condition – The West Branch Firefighters have not been preparing a monthly bank to book reconciliation. At June 30, 2017, a \$379 unexplained variance existed between the reconciled balance and the Treasurer’s Report balance.

Cause – Policies have not been established and procedures have not been implemented to reconcile monthly bank statements to ensure the accuracy of the book balance.

Effect – Since monthly bank statement reconciliations were not prepared, misstatements of the book balances could occur and not be detected.

Recommendation – To improve financial accountability and control, the reconciliation of the book and bank balances should be prepared and reviewed by an independent person and documented by the signature or initials of the reviewer and the date of the review.

Response and Corrective Action Planned – Staff agrees with this finding and will work to implement suggestions contained within the recommendation. Staff will ensure bank reconciliations are prepared monthly and reviewed and approved by an independent person. The review will be documented by the signature or initials of the reviewer and the date of the review.

City of West Branch

Schedule of Findings

Year ended June 30, 2017

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Branch

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

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

Response – City staff agrees with this finding and will work to implement the suggestion contained within the recommendation in future years.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Dave Hosier, Volunteer Assistant Fire Chief, Owner of Parkside Service	Tires and tire repair	\$ 6,192
Kevin Stoolman, Volunteer Fire Chief, Owner of West Branch Repairs	Vehicle repair	6,669

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

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Laughlin Design and Shields Sewing Center do not appear to represent conflicts of interest since the total transactions were less than \$2,500 during the fiscal year.

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

City of West Branch

Schedule of Findings

Year ended June 30, 2017

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

City of West Branch

Staff

This audit was performed by:

Donna F. Kruger, CPA, CGFM, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Sidot K. Shipley, Staff Auditor
Justin D. Jones, Assistant Auditor
Sarah M. Schwind, Auditor Intern

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