



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

May 16, 2019

Contact: Marlys Gaston  
515/281-5834

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

The City's receipts totaled \$4,215,582 for the year ended June 30, 2018, a 5.8% increase over the prior year. The receipts included \$1,387,774 from charges for service, \$471,144 from operating grants, contributions and restricted interest, \$203,206 from capital grants, contributions and restricted interest, \$1,139,723 from property and other city tax, \$78,022 from tax increment financing, \$202,397 from local option sales tax, \$9,865 from unrestricted interest on investments, \$553,140 from bond and note proceeds, \$30,000 from sale of capital assets, \$83,473 from commercial/industrial tax replacement and \$51,762 from other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$4,002,492, a 2.7% increase over the prior year, and included \$635,336 for public works, \$595,607 for public safety and \$430,762 for culture and recreation. Also, disbursements for business type activities totaled \$1,208,848.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**CITY OF WEST UNION**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2018**

**City of West Union**



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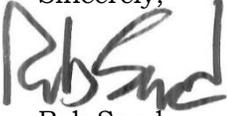
March 25, 2019

Officials of the City of West Union  
West Union, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of West Union for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of West Union throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,  
  
Rob Sand  
Auditor of State

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**City of West Union**

**Officials**

**(Before January 2018)**

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

**(After January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Adam Keller	Mayor	Jan 2020
Cameron Granger	Council Member	Jan 2020
Kennon Gumm	Council Member	Jan 2020
Andrew Smith	Council Member	Jan 2020
Neal Bentley	Council Member	Jan 2022
Isaiah Stansbery	Council Member	Jan 2022
Nick McIntyre	City Clerk/Administrator	Indefinite
Amie Johansen	Deputy City Clerk	Indefinite
Jeremiah White	Attorney	Indefinite

**City of West Union**



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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, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

*Basis for Qualified Opinion on the Aggregate Remaining Fund Information*

The financial statements do not include financial data for the Friends of the Library of West Union a legally separate entity which should be reported as a blended component unit. The amounts by which this omission would affect the receipts, disbursements and cash balances of the aggregate remaining fund information have not been determined.

### *Qualified Opinion*

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, the financial position of the aggregate remaining fund information of the City of West Union as of June 30, 2018, and the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified 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 and each major fund of the City of West Union as of June 30, 2018, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Emphasis of a Matter

As discussed in Note 5 to the financial statements, the City of West Union adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

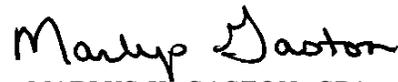
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Union’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and cash disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of not including the financial data of the Friends of the Library of West Union as described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph on the preceding page, 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 8 through 14 and 36 through 42, 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 March 25, 2019 on our consideration of the City of West Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Union's internal control over financial reporting and compliance.

  
MARLYS K. GASTON, CPA  
Deputy Auditor of State

March 25, 2019

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of West Union provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2018 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 8.6%, or approximately \$257,000, from fiscal year 2017 to fiscal year 2018. Charges for services and property and other city tax increased approximately \$115,000 and \$56,000, respectively, while capital grants, contributions and restricted interest decreased approximately \$77,000. Bond proceeds decreased \$377,000 due to the issuance of general obligation bonds in fiscal year 2017.
- Disbursements of the City's governmental activities increased 6.7%, or approximately \$176,000, in fiscal year 2018 from fiscal year 2017. Debt service, community and economic development and public works function disbursements increased approximately \$128,000, \$115,000 and \$100,000, respectively, while capital projects disbursements decreased approximately \$266,000.
- The City's total cash basis net position increased 7.5%, or approximately \$212,000, from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities decreased approximately \$70,000 and the cash basis net position of the business type activities increased approximately \$282,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

## **BASIS OF ACCOUNTING**

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

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

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

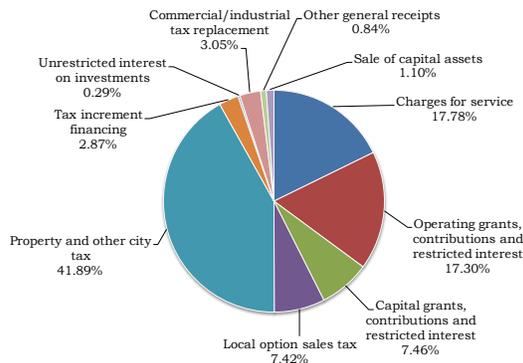
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

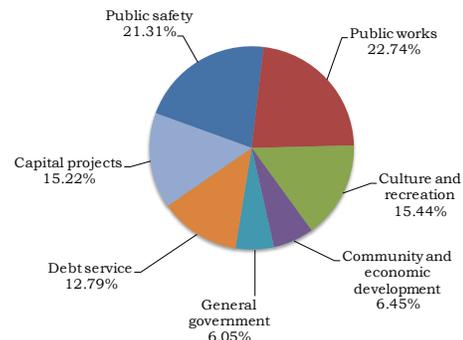
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1,988,000 to approximately \$1,918,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 456	341
Operating grants, contributions and restricted interest	471	505
Capital grants, contributions and restricted interest	203	280
General receipts:		
Property and other city tax	1,140	1,084
Tax increment financing	78	52
Local option sales tax	202	204
Unrestricted interest on investments	8	4
Bond proceeds	-	377
Sale of capital assets	30	-
Commercial/industrial tax replacement	83	132
Other general receipts	52	-
<b>Total receipts</b>	<b>2,723</b>	<b>2,979</b>
Disbursements:		
Public safety	596	529
Public works	635	535
Culture and recreation	431	435
Community and economic development	180	65
General government	169	132
Debt service	357	229
Capital projects	425	691
<b>Total disbursements</b>	<b>2,793</b>	<b>2,616</b>
Change in cash basis net position before transfers	(70)	363
Transfers, net	-	(419)
Change in cash basis net position	(70)	(56)
Cash basis net position beginning of year	1,988	2,044
Cash basis net position end of year	<b>\$ 1,918</b>	<b>1,988</b>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased 8.6%, or approximately \$257,000. The total cost of all programs and services increased approximately \$176,000, or 6.7%, with no new programs added this year. The decrease in receipts was primarily the result of a general obligation bond issuance providing \$377,000 of bond proceeds in fiscal year 2017.

The cost of all governmental activities this year was approximately \$2.792 million compared to approximately \$2.616 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$1,635,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$484,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$674,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2018 from approximately \$1,126,000 to approximately \$1,158,000.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 406	387
Sewer	526	399
General receipts:		
Unrestricted interest on investments	1	-
Note proceeds	553	183
Other general receipts	5	38
Total receipts	<u>1,491</u>	<u>1,007</u>
Disbursements:		
Water	327	770
Sewer	882	513
Total disbursements	<u>1,209</u>	<u>1,283</u>
Change in cash basis net position before transfers	282	(276)
Transfers, net	-	419
Change in cash basis net position	282	143
Cash basis net position beginning of year	867	724
Cash basis net position end of year	<u>\$ 1,149</u>	<u>867</u>

Total business type activities receipts for the fiscal year were approximately \$1,491,000 compared to approximately \$1,007,000 last year. Total disbursements decreased to approximately \$1,209,000 from approximately \$1,283,000 in the prior year. The increase in receipts was primarily due to \$553,000 of bond and note proceeds to be used for the expansion of the City's sewer system. The cash balance increased approximately \$282,000 over the prior year.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of West Union completed the year, its governmental funds reported a combined fund balance of approximately \$1,918,000, a decrease of approximately \$70,000 below last year's total of approximately \$1,988,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased approximately \$23,000 over the prior year balance of approximately \$868,000. Total receipts increased approximately \$95,000 compared to the prior year. Disbursements increased approximately \$177,000 from the prior year, due to the following: The City paid approximately \$46,000 for flood

repair during fiscal year 2018 as a result of the 2017 floods. The City incurred \$30,000 of additional costs in the police department as a result of paying off police radios, upgrading software and installing surveillance cameras. The City paid for police car repairs of \$10,000, fire station repairs of \$9,000 and installed surveillance cameras at the pool, City Hall and airport for \$6,000. Also, the City purchased a new furnace at City Hall for \$6,000, paid \$10,000 for downtown improvements, provided an additional \$8,000 to local organizations for economic development, paid \$12,000 for the City Hall sidewalk ramp project, paid \$3,000 for the rotary park bridge repair and paid \$5,000 for recreational park improvements. In addition, due to the timing of payments for the annual audit, the City paid \$26,000 in fiscal year 2018 for the fiscal year 2016 and fiscal year 2017 audits.

- At the end of the fiscal year, the Special Revenue, Road Use Tax Fund cash balance was approximately \$281,000, a decrease of approximately \$41,000 from the previous year. Road use tax receipts increased approximately \$9,000 and disbursements increased approximately \$84,000 over the prior year, primarily due to the Adam Street Project maintenance starting earlier than planned.
- The Special Revenue, Employee Benefits Fund cash balance increased approximately \$21,000 over the prior year to approximately \$213,000. Total receipts increased approximately \$14,000 compared to the prior year. Disbursements increased approximately \$25,000 over the prior year, primarily due to increased costs for health insurance.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased approximately \$13,000 to approximately \$189,000. Receipts were approximately \$18,000 more than the prior year and disbursements were approximately \$57,000 more than the prior fiscal year due to the timing of rebate payments made by the City to participating companies.
- The Debt Service Fund cash balance decreased approximately \$112,000 to a deficit balance of approximately \$65,000. Receipts increased approximately \$12,000 over the prior year and disbursements increased approximately \$128,000 over fiscal year 2017, primarily due to the City starting payments in fiscal year 2018 on the General obligation bonds issued in April 2017 for a fire truck, land for the waste water treatment plant and City Hall improvements. Principal and interest payments on these 2017 bonds totaled approximately \$127,000 in fiscal year 2018.
- The Capital Projects Fund cash balance increased approximately \$37,000 over the prior year. Total receipts decreased approximately \$77,000 compared to the prior year and total disbursements decreased approximately \$266,000 compared to the prior year. The decrease in disbursement is the net effect of a reduction in disbursements for the bridge project which was completed in fiscal year 2018 and an increase in disbursements for the Airport project in fiscal year 2018.

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

- The Enterprise, Water Fund cash balance increased approximately \$84,000 to approximately \$525,000 primarily due to less capital projects related to painting the water tower in fiscal year 2018.
- The Enterprise, Sewer Fund cash balance increased approximately \$198,000 to approximately \$625,000, primarily due to the receipt of note proceeds to be used for the expansion of the City sewer system and an increase in the capital improvements fee. These increases were offset by an increase in disbursements for the sewer system expansion.

## BUDGETARY HIGHLIGHTS

- Over the course of the year, the City amended its budget one time. The amendment was approved on May 21, 2018 and resulted in an increase in budgeted disbursements, primarily to provide for additional capital projects disbursements. The City had sufficient cash balances to absorb these additional costs.
- The City's receipts were \$136,169 less than budgeted. This was primarily due to the City receiving approximately \$87,000 less intergovernmental receipts than expected in fiscal year 2018. The City also received less hotel/motel tax and slightly less local option sales tax than expected.
- Total disbursements were \$984,317 less than the amended budget. Actual disbursements for the public safety, public works, capital projects and enterprise functions were \$367,300, \$304,315, \$102,252 and \$194,384, respectively, less than the amended budget. Even with the budget amendment, disbursements at June 30, 2018 exceeded the amounts budgeted in the community and economic development, general government and debt service functions. Also, during the fiscal year, disbursements in the community and economic development, general government and capital projects functions exceeded the amounts budgeted prior to the budget amendment.

## DEBT ADMINISTRATION

At June 30, 2018, the City had approximately \$3,310,000 of bonds and notes outstanding, compared to approximately \$3,130,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2018	2017
General obligation bonds	\$ 1,935	2,230
General obligation sewer improvement note	345	-
Revenue bonds	1,030	900
Total	\$ 3,310	3,130

Debt increased as a result of issuing a general obligation sewer improvement note and sewer revenue bonds, both in January 2018, offset by regularly scheduled debt service payments.

The City continues to carry a general obligation bond rating of A3 assigned by Moody's Investors Service. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt, including TIF rebate agreements of approximately \$617,000, is approximately \$2,897,000, which is well below the statutory debt limit of approximately \$6,272,000.

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

The City of West Union's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Fayette County at June 2018 was 2.8% versus 3.5% a year ago. This compares with the State's unemployment rate of 2.6% and the national rate of 4.0%.

These indicators were taken into account when adopting the budget for fiscal year 2019. Amounts available for appropriation in the operating budget are approximately \$4.0 million, a decrease from the fiscal year 2018 budget. Budgeted disbursements are expected to decrease approximately \$273,000 from the original fiscal year 2018 budget. Public safety and business type disbursements are expected to decrease \$403,682 and \$193,876, respectively, from the original fiscal year 2018 budget while debt service and capital projects disbursements are expected to increase \$173,825 and \$161,600, respectively. The decrease in budgeted public safety disbursements is primarily due to the City incurring increased costs in the prior year for the repair of two police cars, sending two officers to training and paying off a loan for radios. The increase in budgeted debt service disbursements is primarily due to increased payments for the general obligation bond for a fire truck, sewer land purchase and City Hall improvements. The increase in budgeted capital projects disbursements is primarily due to costs associated with the Adam street project.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$7,000 by the close of fiscal year 2019.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nick McIntyre, City Administrator, 612 Highway 150 South, West Union, Iowa 52175.

## **Basic Financial Statements**

City of West Union

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 595,607	187,490	37,984	-
Public works	635,336	153,989	341,125	-
Culture and recreation	430,762	114,199	86,051	-
Community and economic development	180,465	-	5,984	-
General government	169,503	-	-	-
Debt service	357,197	-	-	-
Capital projects	424,774	-	-	203,206
Total governmental activities	2,793,644	455,678	471,144	203,206
Business type activities:				
Water	326,718	406,474	-	-
Sewer	882,130	525,622	-	-
Total business type activities	1,208,848	932,096	-	-
Total	\$ 4,002,492	1,387,774	471,144	203,206

**General Receipts:**

Property and other city tax levied for:  
 General purposes  
 Debt service  
 Tax increment financing  
 Local option sales tax  
 Unrestricted interest on investments  
 Bond and note proceeds  
 Sale of capital assets  
 Commercial/industrial tax replacement  
 Miscellaneous  
 Total general receipts  
 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  
 Expendable:  
 Streets  
 Capital projects  
 Debt service  
 Other purposes  
 Unrestricted

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(370,133)	-	(370,133)
(140,222)	-	(140,222)
(230,512)	-	(230,512)
(174,481)	-	(174,481)
(169,503)	-	(169,503)
(357,197)	-	(357,197)
(221,568)	-	(221,568)
(1,663,616)	-	(1,663,616)
-	79,756	79,756
-	(356,508)	(356,508)
-	(276,752)	(276,752)
(1,663,616)	(276,752)	(1,940,368)
939,550	-	939,550
200,173	-	200,173
78,022	-	78,022
202,397	-	202,397
8,489	1,376	9,865
-	553,140	553,140
30,000	-	30,000
83,473	-	83,473
51,762	5,076	56,838
1,593,866	559,592	2,153,458
(69,750)	282,840	213,090
1,987,851	866,448	2,854,299
\$ 1,918,101	1,149,288	3,067,389
\$ 98,242	-	98,242
281,284	-	281,284
179,896	756,113	936,009
188,758	187,967	376,725
526,806	10,896	537,702
643,115	194,312	837,427
\$ 1,918,101	1,149,288	3,067,389

City of West Union

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

As of and for the year ended June 30, 2018

	<u>Special</u>		
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 694,432	-	242,280
Tax increment financing	-	-	-
Other city tax	2,431	-	407
Local option sales tax	-	-	-
Licenses and permits	50,759	-	-
Use of money and property	24,935	-	-
Intergovernmental	177,489	317,189	17,924
Charges for service	264,401	-	-
Miscellaneous	112,104	-	-
Total receipts	<u>1,326,551</u>	<u>317,189</u>	<u>260,611</u>
Disbursements:			
Operating:			
Public safety	451,391	-	106,507
Public works	235,375	358,221	41,740
Culture and recreation	355,692	-	52,418
Community and economic development	89,875	-	40
General government	131,007	-	38,496
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,263,340</u>	<u>358,221</u>	<u>239,201</u>
Excess (deficiency) of receipts over (under) disbursements	<u>63,211</u>	<u>(41,032)</u>	<u>21,410</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers in	21,846	-	-
Transfers out	(62,039)	-	-
Total other financing sources (uses)	<u>(40,193)</u>	<u>-</u>	<u>-</u>
Change in cash balances	23,018	(41,032)	21,410
Cash balances beginning of year	868,276	322,316	191,189
Cash balances end of year	<u>\$ 891,294</u>	<u>281,284</u>	<u>212,599</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery	\$ -	-	-
Restricted for:			
Debt service	-	-	-
Streets	-	281,284	-
Capital projects	-	-	-
Other purposes	183,301	-	212,599
Assigned for:			
Library	28,926	-	-
Park	3,527	-	-
Cemetery	22,284	-	-
Unassigned	653,256	-	-
Total cash basis fund balances	<u>\$ 891,294</u>	<u>281,284</u>	<u>212,599</u>

See notes to financial statements.

Revenue				
Urban Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor	Total
-	199,847	-	-	1,136,559
78,022	-	-	-	78,022
-	326	-	-	3,164
-	-	-	202,397	202,397
-	-	-	-	50,759
-	-	-	850	25,785
-	14,749	203,206	-	730,557
-	-	-	1,520	265,921
-	-	-	88,626	200,730
78,022	214,922	203,206	293,393	2,693,894
-	-	-	37,709	595,607
-	-	-	-	635,336
-	-	-	22,652	430,762
90,550	-	-	-	180,465
-	-	-	-	169,503
-	357,197	-	-	357,197
-	-	424,774	-	424,774
90,550	357,197	424,774	60,361	2,793,644
(12,528)	(142,275)	(221,568)	233,032	(99,750)
-	30,000	-	-	30,000
-	-	258,648	-	280,494
-	-	-	(218,455)	(280,494)
-	30,000	258,648	(218,455)	30,000
(12,528)	(112,275)	37,080	14,577	(69,750)
201,286	47,397	142,816	214,571	1,987,851
188,758	(64,878)	179,896	229,148	1,918,101
-	-	-	98,242	98,242
188,758	-	-	-	188,758
-	-	-	-	281,284
-	-	179,896	-	179,896
-	-	-	130,906	526,806
-	-	-	-	28,926
-	-	-	-	3,527
-	-	-	-	22,284
-	(64,878)	-	-	588,378
188,758	(64,878)	179,896	229,148	1,918,101

**City of West Union**

City of West Union

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

As of and for the year ended June 30, 2018

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 402,586	525,622	928,208
Miscellaneous	7,189	1,774	8,963
Total operating receipts	409,775	527,396	937,171
Operating disbursements:			
Business type activities	233,819	262,141	495,960
Excess of operating receipts over operating disbursements	175,956	265,255	441,211
Non-operating receipts (disbursements):			
Interest on investments	1,376	-	1,376
Bond and note proceeds	-	553,140	553,140
Debt service	(89,675)	(30,117)	(119,792)
Capital projects	(3,224)	(589,871)	(593,095)
Net non-operating receipts (disbursements)	(91,523)	(66,848)	(158,371)
Change in cash balances	84,433	198,407	282,840
Cash balances beginning of year	440,082	426,366	866,448
Cash balances end of year	\$ 524,515	624,773	1,149,288
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Capital projects	\$ 327,191	428,922	756,113
Debt service	186,428	1,539	187,967
Meter deposits	10,896	-	10,896
Unrestricted	-	194,312	194,312
Total cash basis fund balances	\$ 524,515	624,773	1,149,288

See notes to financial statements.

**City of West Union**

City of West Union

Notes to Financial Statements

June 30, 2018

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

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

A. Reporting Entity

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

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

Blended Component Units

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

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

### Excluded Component Unit

The Friends of the Library of West Union, Iowa was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The Friends of the Library of West Union's Board of Directors consist of five members. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of the Library of West Union meets the definition of a component unit which should be presented as a blended component unit. The Friends of the Library of West Union is excluded from the City's financial statements because their financial information was not made available for audit purposes.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County Assessor's Conference Board, Fayette County Solid Waste Management Commission, Fayette County Emergency Management Commission, Fayette County Joint 911 Service Board, Fayette County Economic Development Board, Upper Explorerland Regional Housing Authority and West Union Industrial Development Corporation.

The City also shares dispatch services with the Fayette County Sheriff's office pursuant to a 28E agreement between the City of West Union and Fayette County.

## B. Basis of Presentation

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

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

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. \$756,113 is restricted by enabling legislation.

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly

benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for property tax and other receipts to be used for payment of employee benefits.

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, with the exception of those financed through proprietary funds.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

#### D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. At June 30, 2018, disbursements exceeded the amounts budgeted in the capital projects and business type activities functions. Also, during the fiscal year, disbursements in the community and economic development, general government and capital projects functions exceeded the amounts budgeted prior to the budget amendment.

### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds		General Obligation Note		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ 305,000	54,595	36,000	-	50,000	37,450	391,000
2020	270,000	48,120	36,000	-	50,000	35,825	356,000	83,945
2021	240,000	41,483	36,000	-	55,000	34,200	331,000	75,683
2022	245,000	34,667	36,000	-	55,000	32,413	336,000	67,080
2023	255,000	27,458	36,000	-	60,000	30,213	351,000	57,671
2024-2028	620,000	34,185	165,000	-	335,000	111,690	1,120,000	145,875
2029-2033	-	-	-	-	245,000	25,789	245,000	25,789
Total	\$ 1,935,000	240,508	345,000	-	850,000	307,580	3,130,000	548,088

General Obligation Sewer Improvement Note

On January 2, 2018, the City entered into a general obligation sewer improvement loan agreement with Allamakee-Clayton Electric Cooperative, Inc. for the issuance of a \$360,000 general obligation sewer improvement note to assist in financing improvements and extensions to the municipal sanitary sewer system. The interest free note was issued pursuant to Chapter 384.24A of the Code of Iowa and requires monthly payments of \$3,000, beginning February 1, 2018 through January 11, 2028. During the year ended June 30, 2018, the City paid \$15,000 on the note, leaving a balance of \$345,000 at June 30, 2018.

Water Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,175,000 of water revenue bonds issued in August 2011. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require 51% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,157,580. For the current year, principal and interest paid and total customer net receipts were \$89,075, and \$175,956, respectively.

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

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

### Sewer Revenue Bonds

On January 19, 2018, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$319,000 of sewer revenue bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a 0.25% servicing fee. At June 30, 2018, the City had drawn \$193,140 on the bond. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of certain wastewater treatment facilities. An initiation fee of \$1,595 (.50% of the authorized borrowing for the sewer revenue bonds) was charged by the Iowa Finance Authority and was withheld from the first proceeds of the sewer revenue bonds drawn. The bonds are payable solely from sewer customer net receipts and the City has pledged future sewer customer receipts, net of specified operating disbursements to repay the bonds. A repayment schedule has not yet been adopted for these bonds.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise, Sewer Fund for the purpose of making the bond principal and interest payments when due.
- (c) 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.

Although the City has established the required sinking account, transfers were not made to the sinking account as required.

### Sewer Revenue Loan and Disbursement Anticipation Project Note

On May 21, 2018, the City issued an interest free sewer revenue loan and disbursement agreement anticipation project note to the Iowa Finance Authority for up to \$430,000 to pay the costs of planning, designing and constructing improvements and extensions to the municipal sewer system. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue bonds in an amount sufficient to repay the note. At June 30, 2018, the City had not yet drawn any funds against the anticipation project note. Subsequent to year end, the City made four draws on the anticipation project note, totaling \$142,280. These draws were \$87,200, \$33,000, \$13,800 and \$8,280 and occurred on November 30, 2018, December 31, 2018, January 31, 2019 and February 27, 2019, respectively.

#### **(4) Pension Plan**

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2018, 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, 2018 totaled \$62,975.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$414,418 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the City’s proportion was 0.006221%, which was a decrease of 0.000481% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$76,135, \$214,532 and \$124,254, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 800,119	414,418	90,481

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

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

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. 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 the plan members range from from \$558 for single coverage to \$1,396 for family coverage. Currently, 9 employees pay \$174 per month for family coverage health benefits while the other 6 do not pay a monthly amount for coverage. For the year ended June 30, 2018, the City contributed \$171,996 and plan members eligible for benefits contributed \$16,329 to the plan. At June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of West Union and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>15</u>
Total	<u><u>15</u></u>

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

The City provides health benefit through Wellmark Blue Cross and Blue Shield of Iowa with a plan deductible of \$1,500 for single coverage and \$3,000 for family coverage.

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

The City pays employees for the eligible claims from the Special Revenue, Employee Benefits and the Enterprise, Water and Sewer Funds. During the year ended June 30, 2018, the City paid \$12,719 to employees for claims.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and floating holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and floating holiday hours payable to employees at June 30, 2018, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 26,000
Floating holidays	<u>6,000</u>
Total	<u><u>\$ 32,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	<u>\$ 21,846</u>
Capital Projects	General	62,039
	Special Revenue:	
	Local Option Sales Tax	<u>196,609</u>
		<u>258,648</u>
Total		<u>\$ 280,494</u>

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

**(9) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$35,642 during the year ended June 30, 2018.

**(10) Risk Management**

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

**(11) Rebate Agreements**

The City has entered into nine rebate agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the participating companies in exchange for the construction or improvement of buildings. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to 15 years beginning with the tax year in which the property tax on the completed value of the improvements are first paid. Certain agreements also require the company to certify specific employment requirements have been met. The total to be paid by the City under the agreements is not to exceed \$816,041. During the year ended June 30, 2018, the City rebated \$90,225 of incremental property tax to the participating companies. The total cumulative amount rebated since inception of the agreements is \$228,819. The estimated outstanding principal balance of the rebate agreements at June 30, 2018 is approximately \$617,000.

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

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

**(12) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, the City abated \$35,418 of property tax under the urban renewal and economic development agreements.

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

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

Upon receipt of loan payments from the businesses, the funds remain in the Revolving Loan Fund for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to the City. During the year ended June 30, 2018, the City made two new loans totaling \$52,000.

Outstanding loans receivable of the Revolving Loan Account at June 30, 2018 are as follows:

Loaned to	Date of Loan	Loan Amount	Interest Rate	Term of Loan	Balance June 30, 2018
Antiques and Gifts on Vine	April 14, 2016	\$ 79,750	4.5%	7 years	\$ 59,486
Dairy Queen	May 17, 2016	79,750	4.5	7 years	56,523
Stolen Brothers	Nov 1, 2017	25,000	5.0	5 years	22,385
Reicks	April 30, 2018	27,000	5.0	7 years	26,748
Total					<u>\$ 165,142</u>

**(14) Contractual Commitments**

The City has entered into various construction contracts totaling approximately \$1,071,000. The unpaid contract balance as of June 30, 2018 totaled approximately \$495,000, which will be paid as work on the projects progress.

**(15) Litigation**

The City is involved in two potential litigations as of June 30, 2018. The possibility of loss, if any, is undeterminable.

## **Other Information**

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

Other Information

Year ended June 30, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,136,559	-	-
Tax increment financing	78,022	-	-
Other city tax	205,561	-	-
Licenses and permits	50,759	-	-
Use of money and property	25,785	1,376	313
Intergovernmental	730,557	-	-
Charges for service	265,921	928,208	-
Miscellaneous	200,730	8,963	88,626
Total receipts	<u>2,693,894</u>	<u>938,547</u>	<u>88,939</u>
<b>Disbursements:</b>			
Public safety	595,607	-	37,709
Public works	635,336	-	-
Culture and recreation	430,762	-	22,652
Community and economic development	180,465	-	-
General government	169,503	-	-
Debt service	357,197	-	-
Capital projects	424,774	-	-
Business type activities	-	1,208,847	-
Total disbursements	<u>2,793,644</u>	<u>1,208,847</u>	<u>60,361</u>
Excess (deficiency) of receipts over (under) disbursements	(99,750)	(270,300)	28,578
Other financing sources, net	30,000	553,140	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(69,750)	282,840	28,578
Balances beginning of year	<u>1,987,851</u>	<u>866,448</u>	<u>72,110</u>
Balances end of year	<u>\$ 1,918,101</u>	<u>1,149,288</u>	<u>100,688</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total
			Variance
1,136,559	1,139,390	1,139,390	(2,831)
78,022	77,961	77,961	61
205,561	249,723	249,723	(44,162)
50,759	47,900	47,900	2,859
26,848	39,504	39,504	(12,656)
730,557	796,251	817,766	(87,209)
1,194,129	1,168,350	1,236,569	(42,440)
121,067	42,708	70,858	50,209
3,543,502	3,561,787	3,679,671	(136,169)
557,898	878,604	925,198	367,300
635,336	910,151	939,651	304,315
408,110	432,121	437,221	29,111
180,465	122,300	176,850	(3,615)
169,503	154,131	161,071	(8,432)
357,197	205,472	356,199	(998)
424,774	70,700	527,026	102,252
1,208,847	1,474,577	1,403,231	194,384
3,942,130	4,248,056	4,926,447	984,317
(398,628)	(686,269)	(1,246,776)	848,148
583,140	700,000	581,000	2,140
184,512	13,731	(665,776)	850,288
2,782,189	2,671,520	2,671,520	110,669
2,966,701	2,685,251	2,005,744	960,957

City of West Union

Notes to Other Information – Budgetary Reporting

June 30, 2018

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$678,391. The budget amendment is reflected in the final budgeted amounts.

Disbursements at June 30, 2018 exceeded the amounts budgeted in the community and economic development, general government and debt service functions. Also, during the fiscal year, disbursements in the community and economic development, general government and capital projects functions exceeded the amounts budgeted prior to the budget amendment.

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

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

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.006221%	0.006702%	0.006785%	0.006538%
City's proportionate share of the net pension liability	\$ 414	422	335	259
City's covered payroll	\$ 667	657	681	678
City's proportionate share of the net pension liability as a percentage of its covered payroll	62.07%	64.23%	49.19%	38.20%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

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City of West Union  
Schedule of City Contributions

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

Other Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 63	62	60	63
Contributions in relation to the statutorily required contribution	<u>(63)</u>	<u>(62)</u>	<u>(60)</u>	<u>(63)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 683	667	657	681
Contributions as a percentage of covered payroll	9.22%	9.30%	9.13%	9.25%

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

See accompanying independent auditor's report.

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2014	2013	2012	2011	2010	2009
63	59	53	45	46	40
(63)	(59)	(53)	(45)	(46)	(40)
-	-	-	-	-	-
678	655	620	589	*	*
9.29%	9.01%	8.55%	7.64%	*	*

City of West Union

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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, 2015. 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 Union

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

As of and for the year ended June 30, 2018

	Local Option Sales Tax	West Union Volunteer Firefighters Incorporated	Friends of the West Union Parks and Recreation
Receipts:			
Local option sales tax	\$ 202,397	-	-
Use of money and property	-	6	307
Charges for service	-	-	-
Miscellaneous	-	35,136	53,490
Total receipts	202,397	35,142	53,797
Disbursements:			
Operating:			
Public safety	-	37,709	-
Culture and recreation	-	-	22,652
Total disbursements	-	37,709	22,652
Excess (deficiency) of receipts over (under) disbursements	202,397	(2,567)	31,145
Other financing sources (uses):			
Transfers out	(218,455)	-	-
Change in cash balances	(16,058)	(2,567)	31,145
Cash balances beginning of year	46,276	37,066	35,044
Cash balances end of year	\$ 30,218	34,499	66,189
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery	\$ -	-	-
Restricted for other purposes	30,218	34,499	66,189
Total cash basis fund balances	\$ 30,218	34,499	66,189

See accompanying independent auditor's report.

Permanent			
Cemetery	Cemetery		Total
Perpetual	Mausoleum		
Care			
-	-		202,397
473	64		850
1,520	-		1,520
-	-		88,626
1,993	64		293,393
-	-		37,709
-	-		22,652
-	-		60,361
1,993	64		233,032
-	-		(218,455)
1,993	64		14,577
85,548	10,637		214,571
87,541	10,701		229,148
87,541	10,701		98,242
-	-		130,906
87,541	10,701		229,148

City of West Union  
Schedule of Indebtedness  
Year ended June 30, 2018

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Downtown redevelopment project	Nov 3, 2010	0.75 - 3.50%	\$ 2,665,000
Fire department equipment, sewer system land acquisition and City Hall parking lot	Apr 4, 2017	1.20 - 2.70	560,000
Total			
General obligation note:			
Sewer Improvement	Jan 2, 2018	0.00%	\$ 360,000
Revenue bonds:			
Water	Aug 16, 2011	3.25 - 5.25%	\$ 1,175,000
Sewer	Jan 19, 2018	1.75%	* 193,140
Total			

\* The agreement also requires the City to annually pay a 0.25% 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
1,670,000	-	180,000	1,490,000	49,942
560,000	-	115,000	445,000	11,755
<u>\$ 2,230,000</u>	<u>-</u>	<u>295,000</u>	<u>1,935,000</u>	<u>61,697</u>
-	360,000	15,000	345,000	-
900,000	-	50,000	850,000	39,075
-	193,140	13,000	180,140	522
<u>\$ 900,000</u>	<u>193,140</u>	<u>63,000</u>	<u>1,030,140</u>	<u>39,597</u>

**City of West Union**

## City of West Union

## Bond Maturities

June 30, 2018

General Obligation Bonds						
Year Ending June 30,	Corporate Purpose, Series 2010 Issued Nov 3, 2010		Corporate Purpose, Series 2017 Issued Apr 4, 2017		Total	
	Interest Rates	Amount	Interest Rates	Amount		
2019	2.50%	\$ 190,000	1.50%	\$ 115,000	305,000	
2020	2.75	195,000	1.70	75,000	270,000	
2021	3.00	205,000	1.90	35,000	240,000	
2022	3.10	210,000	2.00	35,000	245,000	
2023	3.20	220,000	2.10	35,000	255,000	
2024	3.30	230,000	2.20	35,000	265,000	
2025	3.50	240,000	2.35	35,000	275,000	
2026		-	2.55	40,000	40,000	
2027		-	2.70	40,000	40,000	
Total		<u>\$ 1,490,000</u>		<u>\$ 445,000</u>	<u>1,935,000</u>	

General Obligation Note			
Sewer Improvement			
Year Ending June 30,	Issued Jan 2, 2018		
	Interest Rates	Amount	
2019	0.00%	\$	36,000
2020	0.00		36,000
2021	0.00		36,000
2022	0.00		36,000
2023	0.00		36,000
2024	0.00		36,000
2025	0.00		36,000
2026	0.00		36,000
2027	0.00		36,000
2028	0.00		21,000
Total		\$	<u>345,000</u>

Revenue Bonds			
Water			
Year Ending June 30,	Issued Aug 16, 2011		
	Interest Rates	Amount	
2019	3.25%	\$	50,000
2020	3.25		50,000
2021	3.25		55,000
2022	4.00		55,000
2023	4.00		60,000
2024	4.00		60,000
2025	4.50		65,000
2026	4.50		65,000
2027	4.50		70,000
2028	5.00		75,000
2029	5.00		80,000
2030	5.25		80,000
2031	5.25		85,000
Total		\$	<u>850,000</u>

See accompanying independent auditor's report.

City of West Union

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

For the Last Ten Years

	2018	2017	2016	2015
<b>Receipts:</b>				
Property tax	\$ 1,136,559	1,051,435	1,031,418	1,036,930
Tax increment financing	78,022	51,946	62,724	113,102
Other city tax	205,561	236,514	226,028	245,522
Licenses and permits	50,759	47,052	45,975	52,922
Use of money and property	25,785	20,759	34,323	19,167
Intergovernmental	730,557	804,079	785,530	935,486
Charges for service	265,921	250,178	246,351	230,800
Miscellaneous	200,730	140,034	101,286	295,499
<b>Total</b>	<b>\$ 2,693,894</b>	<b>2,601,997</b>	<b>2,533,635</b>	<b>2,929,428</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 595,607	529,181	610,797	495,766
Public works	635,336	534,737	442,371	455,923
Health and social services	-	-	-	-
Culture and recreation	430,762	434,841	448,892	545,930
Community and economic development	180,465	65,254	259,619	99,115
General government	169,503	132,122	149,804	142,686
Debt service	357,197	228,943	227,003	224,642
Capital projects	424,774	690,731	517,881	463,122
<b>Total</b>	<b>\$ 2,793,644</b>	<b>2,615,809</b>	<b>2,656,367</b>	<b>2,427,184</b>

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
1,089,462	1,108,806	1,062,966	733,575	749,031	689,561
115,370	86,403	161,930	212,149	108,250	100,928
220,597	214,583	223,283	220,684	184,786	210,615
37,761	6,726	6,879	8,360	6,255	7,565
18,404	23,112	23,953	19,496	23,960	32,328
1,700,053	3,203,699	3,222,738	476,870	250,641	316,183
228,464	212,999	245,055	212,746	201,360	222,188
120,294	132,805	192,662	110,978	425,427	55,917
<u>3,530,405</u>	<u>4,989,133</u>	<u>5,139,466</u>	<u>1,994,858</u>	<u>1,949,710</u>	<u>1,635,285</u>
455,640	415,650	355,167	331,157	369,303	627,563
434,144	448,580	623,289	457,949	513,331	577,220
-	-	-	-	396	351
659,739	568,297	562,778	358,602	524,056	465,741
68,694	162,853	143,280	308,356	107,027	81,080
161,434	146,692	141,128	109,730	120,497	110,379
253,329	250,089	251,515	64,236	26,602	-
<u>1,345,797</u>	<u>3,426,349</u>	<u>2,895,476</u>	<u>2,071,268</u>	<u>423,717</u>	<u>80,839</u>
<u>3,378,777</u>	<u>5,418,510</u>	<u>4,972,633</u>	<u>3,701,298</u>	<u>2,084,929</u>	<u>1,943,173</u>

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



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

Rob Sand  
Auditor of State

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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, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2019. Our report expressed a qualified opinion on the aggregate remaining fund information due to the omission of the Friends of the Library of West Union. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities and each major fund of the City of West Union which are prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and a deficiency we consider to be 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 Union's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the 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 Union's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

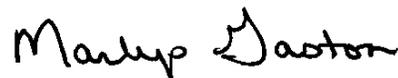
#### The City of West Union's Responses to the Findings

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

#### Purpose of this Report

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

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

  
MARLYS K. GASTON, CPA  
Deputy Auditor of State

March 25, 2019

City of West Union

Schedule of Findings

Year ended June 30, 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 –

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

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

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

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

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

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

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

City of West Union

Schedule of Findings

Year ended June 30, 2018

Effect – Inadequate segregation of duties could adversely affect the City's and its component unit'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 – We realize segregation of duties is difficult with a limited number of office employees. However, the City and its component units should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of review.

Responses –

City – We will add the Mayor to the review and initial these additional six categories mentioned above.

West Union Volunteer Firefighters – The Fire Chief and or Assistant Chief and Treasurer all sign off financial documentation. We will work with Fire Department to implement an independent person to review and initial and date monthly financial documentation.

Friends of the West Union Parks and Recreation – The Park Director and the Treasurer sign off all financial documentation. We will work with Friends of West Union Parks and Recreation to find another person outside their organization to review and sign off on all financial documentation.

Conclusions – Responses accepted.

(B) Friends of the West Union Parks and Recreation

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

Condition – The Friends of the West Union Parks and Recreation does not maintain detailed accounting records to track receipts, disbursements and fund balances. In addition, bank reconciliations are not performed and pre-numbered receipts are not issued for collections.

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

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

City of West Union

Schedule of Findings

Year ended June 30, 2018

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

Response – We implemented a process last year to ensure all financial transactions were reviewed and signed off by a minimum of 2 people. Effective immediately, the City Administrator will review all monthly financial documentation, initial and date. As far as implementing the use of receipts, our Park/Rec Director will be working on a procedure to implement.

Conclusion – Response acknowledged. Friends of the West Union Parks and Recreation should also establish procedures to maintain detailed accounting records to track receipts, disbursements and fund balances. The Friends should also ensure monthly bank reconciliations are prepared. The bank reconciliations should be independently reviewed and evidence of the independent review should be documented and retained. Any variances should be investigated and resolved in a timely manner.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of West Union

Schedule of Findings

Year ended June 30, 2018

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – At June 30, 2018, disbursements exceeded the amounts budgeted in the community and economic development, general government and debt service functions. Also, during the fiscal year, disbursements in the community and economic development, general government and capital projects functions exceeded the amounts budgeted 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.” This appears to be due to employee oversight.

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

Response – We had expected to receive past due payments along with current payments from the State of Iowa for our hotel/motel tax. Our hotel/motel tax funds a portion of our community and economic development, general government and debt service functions. At that time, we determined we did not need to amend the budget. Amendments will be made, if necessary, in the future.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Cameron Granger, City Council member, owner of Granger Construction	Construction projects, per bids	\$ 34,779
Cameron Granger, City Council member, wife is owner of Signs by Design	City signs and vehicle decals	863

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Signs by Design do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year. The transactions with Granger Construction do not appear to represent a conflict of interest since both projects were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

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

City of West Union

Schedule of Findings

Year ended June 30, 2018

(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 – The sewer revenue bond provisions require sufficient monthly transfers be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. Although the City has established the required sinking account, transfers were not made to the sinking account as required by the sewer revenue bond provisions.

Recommendation – The City should make sufficient monthly transfers to the sinking account for the purpose of making the bond principal and interest payments when due.

Response – We will be implementing a sewer sinking account immediately for the purpose of making the principle and interest payments out of this account.

Conclusion – Response accepted.

(9) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was approved and certified to the Iowa Department of Management before December 1. However, the following exceptions were noted on the Levy Authority Summary for the AURR due December 1, 2017.

- The amounts reported for receipts, disbursements and ending fund balances do not agree with City records.
- The amount reported by the City as TIF debt outstanding did not include the 2010 general obligation streetscape bond previously certified as TIF indebtedness.
- The amount reported by the City as TIF debt outstanding incorrectly included an additional \$100,000 for one developer.

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

Response – We will review our data and verify that it all matches before we submit our AURR.

Conclusion – Response accepted.

(10) Financial Condition – The Debt Service Fund had a deficit balance of \$64,878 at June 30, 2018.

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

Response – We failed to recognize a new general obligation bond payment as part of the 2018 debt service levy in the budget. We now have a spread sheet and notes to assure that we do not miss this payment again. We plan to add the amount necessary to the 2021 debt service levy to replenish the Debt Service Fund.

Conclusion – Response accepted.

City of West Union

Schedule of Findings

Year ended June 30, 2018

- (11) Payment of the General Obligation Sewer Improvement Note – The general obligation sewer improvement note was paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the notes should then be disbursed from the Debt Service Fund.

Response – These transfers will be made and payment will be disbursed from the Debt Service Fund.

Conclusion – Response accepted.

- (12) Tax Increment Financing (TIF) Indebtedness Certification – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

During the year ended June 30, 2018, the City paid \$325 of fees directly from the TIF Fund. These costs do not represent TIF debt obligations and, accordingly, are not an allowable use of tax increment financing receipts.

Recommendation – The City should reimburse the TIF fund from an allowable fund, such as the General Fund, for the \$325 of unallowable costs paid in the current year. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – The City will certify TIF obligations as recommended.

Conclusion – Response acknowledged. The City should first approve an interfund loan from the General Fund to the TIF fund, then certify the loan to the County Auditor.

City of West Union

Staff

This audit was performed by:

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Ashley J. Moser, Senior Auditor  
Premnarayan Gobin, Staff Auditor  
Molly N. Kalkwarf, Assistant Auditor