



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

State Capitol Building  
Des Moines, Iowa 50319-0006

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

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

June 25, 2019

Contact: Marlys Gaston  
515/281-8314

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

The City's receipts totaled \$17,206,356 for the year ended June 30, 2018, a 6.9% decrease from the prior year. The receipts included \$1,318,093 of property tax, \$121,898 from tax increment financing, \$9,144,909 of charges for service, \$778,435 of operating grants, contributions and restricted interest, \$411,887 of capital grants, contributions and restricted interest, \$451,468 of local option sales tax, \$52,007 of unrestricted interest on investments, \$4,846,888 of bond/note proceeds and \$81,422 of other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$14,675,764, a 4.7% decrease from the prior year, and included \$1,725,617 for capital projects, \$961,566 for public safety and \$685,540 for culture and recreation. Also, disbursements for business type activities totaled \$10,353,089.

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/>.

# # #

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

**JUNE 30, 2018**

**City of West Liberty**



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Rob Sand  
Auditor of State

June 19, 2019

Officials of the City of West Liberty  
West Liberty, 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 Liberty, Iowa, 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 Liberty 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 Liberty**

### **Officials**

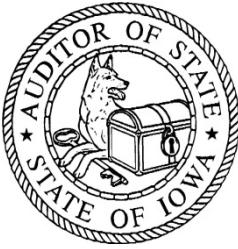
#### **(Before January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Hartman	Mayor	Jan 2018
Melody Russell	Mayor Pro tem	Jan 2018
Robert Rock	Council Member	Nov 2017
Diane Beranek	Council Member	Jan 2020
Joey Iske	Council Member	Jan 2020
Cara McFerren	Council Member	Jan 2020
Lawrence McNaul	City Manager	Indefinite
Lee Geertz	City Clerk/Treasurer	Indefinite
Charles R. Coulter	Attorney	Indefinite

#### **(After January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Hartman	Mayor	Jan 2020
Diane Beranek	Mayor Pro tem	Jan 2020
Joey Iske	Council Member	Jan 2020
Cara McFerren	Council Member	Jan 2020
Robert Rock	Council Member	Jan 2022
David Smith	Council Member	Jan 2022
Lawrence McNaul	City Manager	Indefinite
Lee Geertz	City Clerk/Treasurer	Indefinite
Charles R. Coulter	Attorney	Indefinite

**City of West Liberty**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty, Iowa, as of and for the year ended June 30, 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 audit opinions.

## Opinions

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

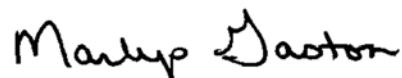
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Liberty's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for three 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 year ended June 30, 2016 (which is not presented herein) were audited by other auditors who expressed an unmodified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the five years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared in accordance with U.S. generally accepted accounting principles. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2019 on our consideration of the City of West Liberty's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Liberty's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

June 19, 2019

**City of West Liberty**

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

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The City of West Liberty provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 50.5% or approximately \$3,300,000, from fiscal year 2017 to fiscal year 2018. Bond proceeds decreased \$3,623,000.
- Disbursements of the City's governmental activities increased 4.8%, or approximately \$197,000, in fiscal year 2018 from fiscal year 2017. Capital projects disbursements increased approximately \$1,525,000. Public safety and debt service disbursements decreased approximately \$447,000 and \$898,000, respectively.
- The City's total cash basis net position increased 31.2%, or approximately \$2,531,000, from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities decreased approximately \$1,054,000 and the cash basis net position of the business type activities increased approximately \$3,584,000.

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

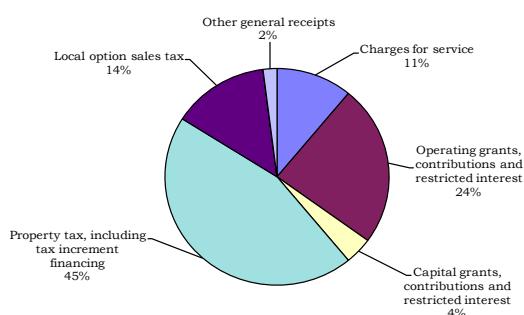
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

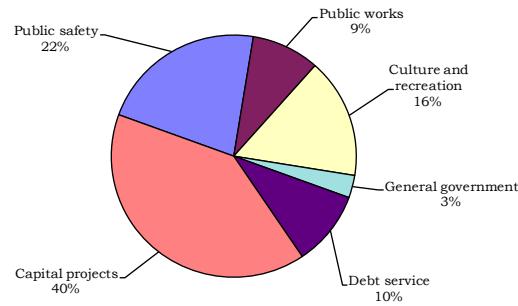
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$4.139 million to approximately \$3.084 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 359	308
Operating grants, contributions and restricted interest	779	739
Capital grants, contributions and restricted interest	142	-
General receipts:		
Property tax, including tax increment financing	1,440	1,320
Local option sales tax	451	482
Unrestricted interest on investments	13	8
Bond proceeds	-	3,623
Other general receipts	56	60
Total receipts	3,240	6,540
<b>Disbursements:</b>		
Public safety	962	1,409
Public works	390	480
Culture and recreation	685	669
General government	144	56
Debt service	413	1,311
Capital projects	1,726	201
Non-program	3	-
Total disbursements	4,323	4,126
Change in cash basis net position before transfers	(1,083)	2,414
Transfers, net	29	150
Change in cash basis net position	(1,054)	2,564
Cash basis net position beginning of year	4,139	1,575
Cash basis net position end of year	\$ 3,085	4,139

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased 50.5%, or approximately \$3,303,000, from the prior year. The total cost of all programs and services increased approximately \$197,000, or 4.8%, with no new programs added this year. The significant decrease in receipts was primarily the result of proceeds received from the issuance of general obligation bonds and the payment on refunded debt in the prior year.

The cost of all governmental activities this year was approximately \$4.323 million compared to approximately \$4.126 million last year. However, as shown in the Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$3.043 million because some of the cost was paid by those directly benefited from the programs (approximately \$359,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$921,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2018 from approximately \$1,047,000 to approximately \$1,280,000.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<b>Receipts:</b>		
Program receipts:		
Charges for service:		
Water	\$ 755	714
Sewer	2,399	2,068
Electric	5,162	5,107
Solid waste	469	457
Capital grants, contributions and restricted interest	270	-
General receipts:		
Unrestricted interest on investments	39	22
Note proceeds	4,847	3,391
Other general receipts	<u>26</u>	<u>187</u>
Total receipts	<u>13,967</u>	<u>11,946</u>
<b>Disbursements:</b>		
Water	699	2,225
Sewer	2,159	3,994
Electric	6,712	4,723
Solid waste	<u>783</u>	<u>323</u>
Total disbursements	<u>10,353</u>	<u>11,265</u>
Change in cash basis net position before transfers	3,614	681
Transfers, net	<u>(29)</u>	<u>(150)</u>
Change in cash basis net position	3,585	531
Cash basis net position beginning of year	3,958	3,427
Cash basis net position end of year	<u>\$ 7,543</u>	<u>3,958</u>

Total business type activities receipts for the fiscal year were approximately \$13.967 million compared to approximately \$11.946 million last year. This significant increase was due primarily to an increase in the amount of water and sewer revenue note proceeds received in the current year and increase in utility rates and customers. The cash balance increased approximately

\$3.585 million. Total disbursements for the fiscal year decreased 8.1% to approximately \$10.353 million.

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

As the City of West Liberty completed the year, its governmental funds reported a combined fund balance of \$2,972,812, a decrease of more than \$1,036,000 below last year's total of \$4,009,242. 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 over the prior year to \$1,419,238. Disbursements decreased primarily due to the purchase of a fire truck in the prior fiscal year for \$509,000.
- The Special Revenue, Road Use Tax Fund cash balance increased \$88,556 to \$107,877, primarily due to decreased spending on street projects.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$45,042 to \$49,688. The decrease was due to reduction in local option sales tax receipts.
- The Special Revenue, Urban Renewal Tax Increment cash balance increased \$241 over prior year to \$10,492.
- The Debt Service Fund cash balance decreased \$23 from the prior year to \$786,316.
- The Capital Projects cash balance decreased \$1,634,028 to \$334,984, primarily due to the receipt in the prior year of \$2,075,280 in bond proceeds to be used to pay for capital improvement projects. The cost of these projects were primarily incurred in fiscal year 2018.

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

- The Enterprise, Water Fund cash balance increased \$546,046 to \$969,209. Capital loan note proceeds decreased \$785,000 and capital improvement projects related to the water utility decreased \$1.2 million.
- The Enterprise, Sewer Fund cash balance increased \$422,527 to \$1,423,444. Charges for services revenues increased approximately \$324,000 due to increase in sewer rates and an increase in customers. Capital loan note proceeds decreased \$1.9 million and capital improvement projects related to the sewer utility decreased \$1.3 million.
- The Enterprise, Electric Fund cash balance increased \$2,686,652 to \$4,499,509, primarily due to note proceeds of \$4.178 million net of a related increase in capital improvement projects related to the electric utility of \$1.28 million.
- The Enterprise, Solid Waste cash balance decreased \$60,629 to \$499,640, primarily due to receipt of a grant for \$269,887 used to assist with the cost of implementing a single stream recycling program that included the purchase of a \$248,000 truck.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 15, 2018 to provide for additional disbursements in certain City departments.

The City's receipts were \$1,064,494 more than budgeted. This was primarily due to the City receiving more for charges for service in its enterprise funds and grant funds than anticipated.

With the budget amendment, total disbursements were \$1,643,452 less than the amended budget. Actual disbursements for business type activities were \$1,063,644 less than budgeted, primarily due to slower progress than expected on water and sewer capital improvement projects.

The City exceeded the amount budgeted in the public works function for the year ended June 30, 2018 due to unexpected expenses.

## **DEBT ADMINISTRATION**

At June 30, 2018, the City had \$17,480,000 of bonds and other long-term debt outstanding, compared to \$13,891,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2018	2017
General obligation bonds and notes	\$ 4,460	4,740
Revenue notes	13,020	9,151
Total	\$ 17,480	13,891

Debt increased as a result of issuing electric revenue bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,460,000 is significantly below its constitutional debt limit of approximately \$7.3 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

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

The City of West Liberty's elected and appointed officials spent considerable time working on the budget to determine the best course of action in the interest of the City as a whole and remain fiscally responsible, considering many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various City activities. The objective was to deliver a budget which maintains the level of services we provide, quality of life and build our reserve capacity.

The planned amounts available for appropriation in the operating budget are based on rate studies and incremental increases in the proprietary accounts. The City refinanced bonds to secure better interest rates and retired others that were at term to secure positive results. For fiscal year 2019 budget, the City completed a major street and infrastructure upgrade which had run over from fiscal year 2018. This project created unforeseen expenses and contributed to the narrow year end balances. The City also ceased contributions to the Community Meal program and rent for a Senior Center within the Community Center both non-profit which could receive funding from other resources.

The City realized a loss of receipts from the waste water treatment plant due to a large industry conducting more efficient pre-treatment. In addition, the 27-year contract expenses for the operation and maintenance of the waste water treatment plant has outgrown the City's means to fund it. While the contract is in place through the FY19 budget year, a small increase to sewer rates was made to stay within our bonding requirements and ensure continued operations through the next year. The City will recognize a significant cost savings when it takes over operations and management of the plant slated for July 1, 2019.

The City continued to prepare for a restricted budget to the General Fund accounts as back fill is not anticipated. The City Council and staff prioritized the City's needs as well as prepared for assuming responsibility for a major abandoned property downtown. We have several housing developments pending within the city limits which we will continue to establish in effort to find additional revenue in the future.

Remaining fiscally conservative for a few more years, the City is on track to regain its bond ratings which declined in 2012. While we meet financial challenges, the City is in a much stronger place than previously with continued growth and expansions happening yearly.

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

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

**City of West Liberty**

## **Basic Financial Statements**

City of West Liberty

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 961,566	251,637	138,883	142,000
Public works	390,239	14,662	488,022	-
Culture and recreation	685,540	56,196	139,030	-
General government	143,789	34,348	12,500	-
Debt service	412,642	-	-	-
Capital projects	1,725,617	-	-	-
Non-program	3,282	2,349	-	-
Total governmental activities	<u>4,322,675</u>	<u>359,192</u>	<u>778,435</u>	<u>142,000</u>
Business type activities:				
Water	698,919	754,652	-	-
Sewer	2,159,071	2,398,739	-	-
Electric	6,712,549	5,162,520	-	-
Solid waste	782,550	469,155	-	269,887
Total business type activities	<u>10,353,089</u>	<u>8,785,066</u>	<u>-</u>	<u>269,887</u>
Total	<u>\$ 14,675,764</u>	<u>9,144,258</u>	<u>778,435</u>	<u>411,887</u>
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond/note proceeds				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Perpetual care				
Expendable:				
Streets				
Debt service				
Capital improvements				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

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Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

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Governmental Activities	Business Type Activities	Total
(429,046)	-	(429,046)
112,445	-	112,445
(490,314)	-	(490,314)
(96,941)	-	(96,941)
(412,642)	-	(412,642)
(1,725,617)	-	(1,725,617)
(933)		(933)
<hr/>	<hr/>	<hr/>
(3,043,048)	-	(3,043,048)
<hr/>	<hr/>	<hr/>
-	55,733	55,733
-	239,668	239,668
-	(1,550,029)	(1,550,029)
-	(43,508)	(43,508)
<hr/>	<hr/>	<hr/>
-	(1,298,136)	(1,298,136)
<hr/>	<hr/>	<hr/>
(3,043,048)	(1,298,136)	(4,341,184)
<hr/>	<hr/>	<hr/>
1,144,303	-	1,144,303
173,790	-	173,790
121,898	-	121,898
451,468	-	451,468
13,178	38,829	52,007
-	4,846,888	4,846,888
51,744	-	51,744
3,885	25,793	29,678
28,912	(28,912)	-
<hr/>	<hr/>	<hr/>
1,989,178	4,882,598	6,871,776
<hr/>	<hr/>	<hr/>
(1,053,870)	3,584,462	2,530,592
<hr/>	<hr/>	<hr/>
4,138,842	3,958,410	8,097,252
<hr/>	<hr/>	<hr/>
\$ 3,084,972	7,542,872	10,627,844
<hr/>	<hr/>	<hr/>
\$ 67,981	-	67,981
<hr/>	<hr/>	<hr/>
107,877	-	107,877
796,808	958,415	1,755,223
334,984	250,000	584,984
245,924	-	245,924
1,531,398	6,334,457	7,865,855
<hr/>	<hr/>	<hr/>
\$ 3,084,972	7,542,872	10,627,844

City of West Liberty

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

As of and for the year ended June 30, 2018

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
<b>Receipts:</b>				
Property tax	\$ 780,896	-	-	-
Tax increment financing	-	-	-	121,898
Other city tax	-	-	451,468	-
Licenses and permits	44,008	-	-	-
Use of money and property	12,693	-	-	241
Intergovernmental	279,000	476,677	-	-
Charges for service	230,525	-	-	-
Miscellaneous	119,092	-	-	-
<b>Total receipts</b>	<b>1,466,214</b>	<b>476,677</b>	<b>451,468</b>	<b>122,139</b>
<b>Disbursements:</b>				
Operating:				
Public safety	927,187	-	-	-
Public works	31,031	359,208	-	-
Culture and recreation	657,807	-	-	-
General government	118,917	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>1,734,942</b>	<b>359,208</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(268,728)</b>	<b>117,469</b>	<b>451,468</b>	<b>122,139</b>
<b>Other financing sources (uses):</b>				
Sale of capital assets	3,885	-	-	-
Transfers in	736,669	-	-	-
Transfers out	(93,956)	(28,913)	(496,510)	(121,898)
<b>Total other financing sources (uses)</b>	<b>646,598</b>	<b>(28,913)</b>	<b>(496,510)</b>	<b>(121,898)</b>
<b>Change in cash balances</b>	<b>377,870</b>	<b>88,556</b>	<b>(45,042)</b>	<b>241</b>
Cash balances beginning of year	1,041,368	19,321	94,730	10,251
Cash balances end of year	<b>\$ 1,419,238</b>	<b>107,877</b>	<b>49,688</b>	<b>10,492</b>
<b>Cash Basis Fund Balances</b>				
Nonspendable for perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	107,877	-	-
Debt service	-	-	-	10,492
Capital projects	-	-	-	-
Other purposes	-	-	49,688	-
Assigned:				
Fire station	203,782	-	-	-
Ambulance	665,888	-	-	-
Unassigned	549,568	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 1,419,238</b>	<b>107,877</b>	<b>49,688</b>	<b>10,492</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
173,790	-	363,407	1,318,093
-	-	-	121,898
-	-	-	451,468
-	-	-	44,008
169	-	1,958	15,061
37	-	-	755,714
-	-	-	230,525
-	-	130,730	249,822
<b>173,996</b>	<b>-</b>	<b>496,095</b>	<b>3,186,589</b>
-	-	14,311	941,498
-	-	-	390,239
-	-	9,096	666,903
-	-	-	118,917
412,642	-	-	412,642
-	1,725,617	-	1,725,617
<b>412,642</b>	<b>1,725,617</b>	<b>23,407</b>	<b>4,255,816</b>
<b>(238,646)</b>	<b>(1,725,617)</b>	<b>472,688</b>	<b>(1,069,227)</b>
-	-	-	3,885
238,623	150,489	93,956	1,219,737
-	(58,900)	(390,648)	(1,190,825)
<b>238,623</b>	<b>91,589</b>	<b>(296,692)</b>	<b>32,797</b>
<b>(23)</b>	<b>(1,634,028)</b>	<b>175,996</b>	<b>(1,036,430)</b>
<b>786,339</b>	<b>1,969,012</b>	<b>88,221</b>	<b>4,009,242</b>
<b>786,316</b>	<b>334,984</b>	<b>264,217</b>	<b>2,972,812</b>
-	-	67,981	67,981
-	-	-	107,877
786,316	-	-	796,808
-	334,984	-	334,984
-	-	196,236	245,924
-	-	-	203,782
-	-	-	665,888
-	-	-	549,568
<b>786,316</b>	<b>334,984</b>	<b>264,217</b>	<b>2,972,812</b>

**Exhibit C**

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City of West Liberty

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

As of and for the year ended June 30, 2018

<b>Total governmental funds cash balances (page 21)</b>	\$ 2,972,812
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***Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:***

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

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112,160

<b>Cash basis net position of governmental activities (page 19)</b>	<hr/> \$ 3,084,972
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<b>Change in cash balances (page 21)</b>	<hr/> \$ (1,036,430)
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***Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:***

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

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(17,440)

<b>Change in cash basis net position of governmental activities (page 19)</b>	<hr/> \$ (1,053,870)
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See notes to financial statements.

## City of West Liberty

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

As of and for the year ended June 30, 2018

	Enterprise					Internal Service Employee Health
	Water	Sewer	Electric	Solid Waste	Total	
Operating receipts:						
Charges for service	\$ 753,254	2,392,980	5,153,485	458,432	8,758,151	-
Miscellaneous	-	4,128	25,549	244	29,921	73,367
Total operating receipts	<u>753,254</u>	<u>2,397,108</u>	<u>5,179,034</u>	<u>458,676</u>	<u>8,788,072</u>	<u>73,367</u>
Operating disbursements:						
Governmental activities:						
General government	-	-	-	-	-	102,508
Business type activities	328,308	1,419,709	4,823,536	338,251	6,909,804	-
Total operating disbursements	<u>328,308</u>	<u>1,419,709</u>	<u>4,823,536</u>	<u>338,251</u>	<u>6,909,804</u>	<u>102,508</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>424,946</u>	<u>977,399</u>	<u>355,498</u>	<u>120,425</u>	<u>1,878,268</u>	<u>(29,141)</u>
Non-operating receipts (disbursements):						
Interest on investments	9,250	8,826	20,285	468	38,829	1,567
Intergovernmental	-	-	-	269,887	269,887	-
Revenue capital loan note proceeds	478,475	190,425	-	-	668,900	-
Bond proceeds, premium of \$86,088 and net of issuance costs of \$58,100	-	-	4,177,988	-	4,177,988	-
Debt service	(201,600)	(568,266)	(485,021)	-	(1,254,887)	-
Capital outlay	(167,058)	(168,817)	(1,391,368)	(428,234)	(2,155,477)	-
Net non-operating receipts (disbursements)	<u>119,067</u>	<u>(537,832)</u>	<u>2,321,884</u>	<u>(157,879)</u>	<u>1,745,240</u>	<u>1,567</u>
Excess (deficiency) of receipts over (under) disbursements	<u>544,013</u>	<u>439,567</u>	<u>2,677,382</u>	<u>(37,454)</u>	<u>3,623,508</u>	<u>(27,574)</u>
Transfers in (out):						
Transfers in	4,635	11,872	9,270	-	25,777	-
Transfers out	(2,602)	(28,912)	-	(23,175)	(54,689)	-
Net transfers in (out)	<u>2,033</u>	<u>(17,040)</u>	<u>9,270</u>	<u>(23,175)</u>	<u>(28,912)</u>	<u>-</u>
Change in cash balances	546,046	422,527	2,686,652	(60,629)	3,594,596	(27,574)
Cash balances beginning of year	423,163	1,000,917	1,812,857	560,269	3,797,206	290,804
Cash balances end of year	<u>\$ 969,209</u>	<u>1,423,444</u>	<u>4,499,509</u>	<u>499,640</u>	<u>7,391,802</u>	<u>263,230</u>
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Restricted for debt service	\$ 102,266	382,704	473,445	-	958,415	-
Restricted for capital improvements	100,000	150,000	-	-	250,000	-
Unrestricted	766,943	890,740	4,026,064	499,640	6,183,387	263,230
Total cash basis fund balances	<u>\$ 969,209</u>	<u>1,423,444</u>	<u>4,499,509</u>	<u>499,640</u>	<u>7,391,802</u>	<u>263,230</u>

See notes to financial statements.

**Exhibit E**

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City of West Liberty

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

As of and for the year ended June 30, 2018

<b>Total enterprise funds cash balances (page 23)</b>	\$ 7,391,802
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*Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:*

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

	151,070
\$	7,542,872
\$	3,594,596

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

**Change in cash balances (page 23)**

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

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

	(10,134)
\$	3,584,462

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

See notes to financial statements.

City of West Liberty

Notes to Financial Statements

June 30, 2018

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

The City of West Liberty is a political subdivision of the State of Iowa located in Muscatine County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of governments with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general governmental services. The City also provides water, sewer, electric and solid waste disposal utilities for its citizens.

**A. Reporting Entity**

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

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

**Blended Component Units**

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

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

### Jointly Governed Organizations

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

### B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental 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 balance to be maintained permanently by the City, including the City's Permanent Fund.

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

The City also reports the following proprietary fund:

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

### D. Governmental Cash Basis Fund Balances

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

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

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

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the public works function. Also, disbursements in the general government function exceeded the amount 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 and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds			Revenue Notes		Total	
	Principal	Interest		Principal	Interest	Principal	Interest
2019	\$ 330,000	125,708		600,000	247,796	930,000	373,504
2020	340,000	117,998		620,000	234,419	960,000	352,417
2021	350,000	110,018		630,000	219,876	980,000	329,894
2022	355,000	101,838		645,000	202,782	1,000,000	304,620
2023	360,000	93,393		670,000	182,605	1,030,000	275,998
2024-2028	1,550,000	322,303		3,690,000	565,703	5,240,000	888,006
2029-2033	1,175,000	98,823		1,195,000	79,762	2,370,000	178,585
Total	\$ 4,460,000	970,081		8,050,000	1,732,943	12,510,000	2,703,024

### Revenue Loan Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,300,000 of water revenue capital loan notes issued in February 2014. Proceeds from the notes provided financing for improvements and extensions to the Municipal Water Utility, including constructing an addition to the water plant and the acquisition, construction and installation of an iron removal filter and aerator. The notes are payable solely from water customer net receipts and are payable through 2033. Annual principal and interest payments on the notes required less than 22% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,380,212. For the current year, principal and interest paid and total customer net receipts were \$94,463 and \$424,946, respectively.

On May 20, 2016, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of water revenue notes of up to \$1,867,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and an a building addition to the water treatment facilities. The City will draw down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred.

At June 30, 2018, the City had drawn down \$1,831,750 of the authorized amount. An initiation fee of .50% of the authorized borrowing for the water revenue notes was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the water revenue notes drawn by the City during the year ended June 30, 2016. A final repayment schedule has not yet been adopted. However, during the year ended June 30, 2018, the City paid principal and interest of \$78,000 and \$29,137, respectively, on the notes under a preliminary repayment schedule. The balance on the notes at June 30, 2018 was \$1,676,750.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,600,000 of sewer revenue refunding capital loan notes issued in April 2015. Proceeds from the notes were used to pay costs of refunding sewer revenue capital loan notes. The notes are payable solely from sewer customer net receipts and are payable through 2028. Annual principal and interest payments on the notes required less than 36% of net receipts. The total principal and interest remaining to be paid on the notes is \$3,503,113. For the current year, principal and interest paid and total customer net receipts were \$349,535 and \$977,399, respectively.

On January 29, 2016, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue notes of up to \$3,623,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements to the wastewater treatment plant. The City will draw down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred.

At June 30, 2018, the City had drawn \$3,594,516 of the authorized amount. An initiation fee of .50% of the authorized borrowing for the sewer revenue notes was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the sewer revenue notes drawn by the City during the year ended June 30, 2016. A final repayment schedule has not yet be adopted. However, during the year ended June 30, 2018, the City paid principal and interest of \$152,000 and \$66,731, respectively, on the notes under a preliminary repayment schedule. The balance on the notes at June 30, 2018 was \$3,293,515.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$4,150,000 of electric revenue capital loan notes issued in November 2017. The notes are payable solely from electric customer net receipts and are payable through 2030. Annual principal and interest payments on the notes required less than 17% of net receipts. The total principal and interest remaining to be paid is \$4,899,618. For current year, interest paid and total customer net receipts were \$59,425 and \$355,498.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) User rates for the municipal water utility, sewer utility system and electric system shall each be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year.
- (c) Sufficient monthly transfers shall be made to separate water, sewer and electric revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

- (d) Additional monthly transfers shall be made to separate water, sewer and electric reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying principal and interest if insufficient funds are available in the sinking fund.

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

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

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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 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 \$132,896.

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 \$963,169 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 0.014459%, which was an increase of 0.000232% 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 \$164,554, \$221,834 and \$26,517, 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 of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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	\$ 1,783,577	963,169	274,078

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 \$621 for single coverage to \$1,929 for family coverage. For the year ended June 30, 2018, the City contributed \$313,594 and plan members eligible for benefits contributed \$32,726 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 Liberty 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	2
Active employees	<u>29</u>
Total	<u>31</u>

## **(6) Compensated Absences**

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

Type of Benefit	Amount
Vacation	\$ 58,000
Sick leave	20,000
Compensatory time	2,000
Total	<u>\$ 80,000</u>

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

## **(7) Wastewater Treatment Plant Agreement**

On July 1, 2009, the City entered into an agreement with CH2M Hill OMI to operate, maintain and monitor the wastewater treatment plant. The agreement is for a ten year initial term and will be automatically renewed for successive terms of ten years unless cancelled by either party. The base fee for the contract is negotiated annually. The amount paid for the year ended June 30, 2018 was \$908,045.

## **(8) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax Employee Benefits West Liberty Fire Department	\$ 346,021 385,657 4,991 <u>736,669</u>
Special Revenue: Dutton Complex	General	<u>93,956</u>
Debt Service	Special Revenue: Road Use Tax Urban Renewal Tax Increment Capital Projects	28,913 121,898 58,900
	Enterprise: Sewer	<u>28,912</u> <u>238,623</u>
Capital Projects	Special Revenue: Local Option Sales Tax	<u>150,489</u>
Enterprise: Water	Enterprise: Solid Waste	<u>4,635</u>
Enterprise: Sewer	Enterprise: Water Solid Waste	2,602 9,270 <u>11,872</u>
Enterprise: Electric	Enterprise: Solid Waste	<u>9,270</u>
Total		<u>\$ 1,245,514</u>

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

**(9) Construction Commitments**

The City has entered into construction contracts totaling approximately \$2,634,000 for street, water, sewer and electric improvements. The balance of \$425,980 remaining on the contracts at June 30, 2018 will be paid as work on the projects progress.

**(10) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2018 were \$95,892.

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

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

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation in the amount of \$1,000,000. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City is also 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) Development Agreement**

The City has entered into a development agreement with Alta Ventures, LLC (developer) for the development of residential fourplex buildings which are affordable to families of low and moderate income with a minimum assessed value of \$1,200,360. The City agreed to pay the developer an amount not to exceed \$220,000 subject to annual appropriation by the City Council. The agreement requires up to 10 semiannual payments beginning December 1, 2019, provided the developer is in compliance with the terms of the agreement.

**City of West Liberty**

### **Other Information**

City of West Liberty

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

Other Information

Year ended June 30, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,318,093	-	-
Tax increment financing	121,898	-	-
Other city tax	451,468	-	-
Licenses and permits	44,008	-	-
Use of money and property	15,061	40,396	1,571
Intergovernmental	755,714	269,887	-
Charges for service	230,525	8,758,151	-
Miscellaneous	249,822	103,288	92,314
<b>Total receipts</b>	<b>3,186,589</b>	<b>9,171,722</b>	<b>93,885</b>
<b>Disbursements:</b>			
Public safety	941,498	-	14,274
Public works	390,239	-	-
Culture and recreation	666,903	-	3,920
General government	118,917	102,508	102,508
Debt service	412,642	-	-
Capital projects	1,725,617	-	-
Business type activities	-	10,320,168	-
<b>Total disbursements</b>	<b>4,255,816</b>	<b>10,422,676</b>	<b>120,702</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(1,069,227)</b>	<b>(1,250,954)</b>	<b>(26,817)</b>
<b>Other financing sources, net</b>	<b>32,797</b>	<b>4,817,976</b>	<b>(4,991)</b>
<b>Excess of receipts and other financing sources over disbursements and other financing uses</b>	<b>(1,036,430)</b>	<b>3,567,022</b>	<b>(31,808)</b>
<b>Balances beginning of year</b>	<b>4,009,242</b>	<b>4,088,010</b>	<b>300,122</b>
<b>Balances end of year</b>	<b>\$ 2,972,812</b>	<b>7,655,032</b>	<b>268,314</b>

See accompanying independent auditor's report.

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Total	<u>Budgeted Amounts</u>		Final to Total Variance
	Original	Final	
1,318,093	1,294,040	1,294,040	24,053
121,898	124,250	124,250	(2,352)
451,468	397,225	397,225	54,243
44,008	35,575	35,575	8,433
53,886	28,050	28,050	25,836
1,025,601	541,038	541,038	484,563
8,988,676	9,520,554	8,825,554	163,122
<u>260,796</u>	<u>124,200</u>	<u>124,200</u>	<u>136,596</u>
<u>12,264,426</u>	<u>12,064,932</u>	<u>11,369,932</u>	<u>894,494</u>
927,224	980,500	988,625	61,401
390,239	376,500	376,500	(13,739)
662,983	744,453	838,009	175,026
118,917	131,653	151,653	32,736
412,642	353,743	412,643	1
1,725,617	-	2,050,000	324,383
<u>10,320,168</u>	<u>8,038,357</u>	<u>11,553,812</u>	<u>1,233,644</u>
<u>14,557,790</u>	<u>10,625,206</u>	<u>16,371,242</u>	<u>1,813,452</u>
(2,293,364)	1,439,726	(5,001,310)	2,707,946
<u>4,855,764</u>	<u>-</u>	<u>7,733,968</u>	<u>(2,878,204)</u>
2,562,400	1,439,726	2,732,658	(170,258)
<u>7,797,130</u>	<u>6,529,311</u>	<u>6,529,311</u>	<u>1,267,819</u>
<u>10,359,530</u>	<u>7,969,037</u>	<u>9,261,969</u>	<u>1,097,561</u>

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City of West Liberty

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$5,746,036. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the public works function. Also, disbursements in the general government and capital projects functions exceeded the amounts budgeted prior to the budget amendment.

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City of West Liberty  
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	0.014459%	0.014227%	0.013266%	0.039138%
City's proportionate share of the net pension liability	\$ 963	895	655	552
City's covered payroll	\$ 1,418	1,351	1,413	1,449
City's proportionate share of the net pension liability as a percentage of its covered payroll	67.91%	66.25%	46.36%	38.10%
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 Liberty  
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	\$ 133	130	123	131
Contributions in relation to the statutorily required contribution	<u>(133)</u>	<u>(130)</u>	<u>(123)</u>	<u>(131)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,447	1,418	1,351	1,413
Contributions as a percentage of covered payroll	9.19%	9.17%	9.10%	9.27%

See accompanying independent auditor's report.

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2014	2013	2012	2011	2010	2009
134	143	129	109	102	110
(134)	(143)	(129)	(109)	(102)	(110)
-	-	-	-	-	-
1,449	1,583	1,518	1,428	1,414	1,516
9.25%	9.03%	8.50%	7.63%	7.21%	7.26%

City of West Liberty

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, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## **Supplementary Information**

City of West Liberty

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

As of and for the year ended June 30, 2018

		Special	
		Employee Benefits	Dutton Complex Trust
	FEMA		
Receipts:			
Property tax	\$ -	363,407	-
Use of money and property	- -	- -	- -
Miscellaneous	- -	- -	- -
Total receipts	<u>- -</u>	<u>363,407</u>	<u>- -</u>
Disbursements:			
Operating:			
Public safety	- -	37	- -
Culture and recreation	- -	- -	- -
Total disbursements	<u>- -</u>	<u>37</u>	<u>- -</u>
Excess (deficiency) of receipts over (under) disbursements	- 363,370	- -	- -
Other financing sources (uses):			
Transfers in	- -	93,956	- -
Transfers out	- (385,657)	- -	- -
Total other financing sources (uses)	<u>- (385,657)</u>	<u>93,956</u>	<u>- -</u>
Change in cash balances	- (22,287)	93,956	- -
Cash balances beginning of year	16,030	22,287	(93,956)
Cash balances end of year	<u>\$ 16,030</u>	<u>-</u>	<u>-</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery perpetual care	\$ - -	- -	- -
Restricted for other purposes	<u>16,030</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 16,030</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report.

Revenue				Permanent	
Library Trust	Park and Recreation Trust	West Fire Department	Friends of the West Liberty Public Library	Perpetual Care	Total
-	-	-	-	-	363,407
419	1,535	2	2	-	1,958
106,003	5,780	18,186	761	-	130,730
<u>106,422</u>	<u>7,315</u>	<u>18,188</u>	<u>763</u>	-	<u>496,095</u>
-	-	14,274	-	-	14,311
3,496	1,680	-	3,920	-	9,096
<u>3,496</u>	<u>1,680</u>	<u>14,274</u>	<u>3,920</u>	-	<u>23,407</u>
<u>102,926</u>	<u>5,635</u>	<u>3,914</u>	<u>(3,157)</u>	-	<u>472,688</u>
-	-	-	-	-	93,956
-	-	(4,991)	-	-	(390,648)
-	-	(4,991)	-	-	(296,692)
<u>102,926</u>	<u>5,635</u>	<u>(1,077)</u>	<u>(3,157)</u>	-	<u>175,996</u>
<u>53,071</u>	<u>13,490</u>	<u>4,616</u>	<u>4,702</u>	<u>67,981</u>	<u>88,221</u>
<u>155,997</u>	<u>19,125</u>	<u>3,539</u>	<u>1,545</u>	<u>67,981</u>	<u>264,217</u>
-	-	-	-	67,981	67,981
<u>155,997</u>	<u>19,125</u>	<u>3,539</u>	<u>1,545</u>	-	<u>196,236</u>
<u>155,997</u>	<u>19,125</u>	<u>3,539</u>	<u>1,545</u>	<u>67,981</u>	<u>264,217</u>

City of West Liberty

Schedule of Indebtedness

Year ended June 30, 2018

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Building, structure and property restoration	Jun 28, 2013	2.40-3.75%	\$ 1,360,000
Refunding and street, sewer and water improvements	Nov 29, 2016	2.50	1,510,000
Street, sewer and water improvements	Jun 1, 2017	2.00-3.25	2,065,000
Total			
Revenue notes:			
Water	Feb 6, 2014	0.50-4.50%	\$ 1,300,000
Water	May 20, 2016	1.75	* 1,867,000
Sewer	Apr 23, 2015	1.00-4.10	3,600,000
Sewer	Jan 29, 2016	1.75	* 3,623,000
Electric	May 3, 2011	0.50-2.80	2,815,000
Electric revenue bonds:	Nov 21, 2017	2.00-3.00	4,150,000
Total			

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,165,000	-	65,000	1,100,000	35,992
1,510,000	-	215,000	1,295,000	37,750
2,065,000	-	-	2,065,000	58,900
<b>\$ 4,740,000</b>	<b>-</b>	<b>280,000</b>	<b>4,460,000</b>	<b>132,642</b>
1,070,000	-	55,000	1,015,000	39,463
1,276,275	478,475	78,000	1,676,750	29,137
3,130,000	-	245,000	2,885,000	104,535
3,255,090	190,425	152,000	3,293,515	66,731
420,000	-	420,000	-	5,596
-	4,150,000	-	4,150,000	59,425
<b>\$ 9,151,365</b>	<b>4,818,900</b>	<b>950,000</b>	<b>13,020,265</b>	<b>304,887</b>

**City of West Liberty**

City of West Liberty  
Bond and Note Maturities

June 30, 2018

<b>General Obligation Bonds and Notes</b>											
Year Ending	Building, structure and property restoration			Refunding and street, sewer and water improvements		Street, sewer and water improvements					
	Issued Jun 28, 2013		Interest Rates	Amount	Issued Nov 29, 2016		Interest Rates	Amount	Interest Rates	Amount	Total
June 30,											
2019	2.40%	\$ 65,000	2.50%	\$ 170,000	2.00%	\$ 95,000	330,000				
2020	2.40	70,000	2.50	180,000	2.00	90,000	340,000				
2021	2.40	70,000	2.50	180,000	2.00	100,000	350,000				
2022	2.60	70,000	2.50	185,000	2.00	100,000	355,000				
2023	2.80	75,000	2.50	185,000	3.00	100,000	360,000				
2024	3.00	75,000	2.50	195,000	3.00	100,000	370,000				
2025	3.10	75,000	2.50	200,000	3.00	105,000	380,000				
2026	3.20	80,000		-	3.00	180,000	260,000				
2027	3.30	80,000		-	3.00	185,000	265,000				
2028	3.40	85,000		-	3.00	190,000	275,000				
2029	3.50	85,000		-	3.00	195,000	280,000				
2030	3.60	85,000		-	3.00	200,000	285,000				
2031	3.70	90,000		-	3.125	210,000	300,000				
2032	3.75	95,000		-	3.25	215,000	310,000				
2033		-		-		-	-				
Total		<u>\$ 1,100,000</u>		<u>\$ 1,295,000</u>		<u>\$ 2,065,000</u>	<u>4,460,000</u>				

<b>Revenue Notes</b>											
Year Ending	Water			Sewer		Electric					
	Issued Feb 6, 2014		Interest Rates	Amount	Issued April 23, 2015		Interest Rates	Amount	Interest Rates	Amount	Total
June 30,											
2019	2.50%	\$ 55,000	2.40%	\$ 250,000	2.00%	\$ 295,000	600,000				
2020	2.50	55,000	2.70	260,000	2.00	305,000	620,000				
2021	2.50	55,000	2.95	265,000	2.00	310,000	630,000				
2022	3.25	55,000	3.20	270,000	3.00	320,000	645,000				
2023	3.25	60,000	3.40	280,000	3.00	330,000	670,000				
2024	3.25	60,000	3.60	290,000	3.00	340,000	690,000				
2025	4.00	65,000	3.75	300,000	3.00	350,000	715,000				
2026	4.00	65,000	3.90	310,000	3.00	360,000	735,000				
2027	4.00	70,000	4.00	325,000	2.55	370,000	765,000				
2028	4.25	70,000	4.10	335,000	2.70	380,000	785,000				
2029	4.25	75,000		-	3.00	390,000	465,000				
2030	4.25	75,000		-	3.00	400,000	475,000				
2031	4.50	80,000		-			-	80,000			
2032	4.50	85,000		-			-	85,000			
2033	4.50	90,000		-			-	90,000			
Total		<u>\$ 1,015,000</u>		<u>\$ 2,885,000</u>		<u>\$ 4,150,000</u>	<u>8,050,000</u>				

City of West Liberty

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

For the Last Ten Years

	(Cash Basis)			
	2018	2017	2016	2015
<b>Receipts:</b>				
Property tax	\$ 1,318,093	1,318,295	1,333,865	1,270,135
Tax increment financing	121,898	1,272	119,263	123,896
Other city tax	451,468	481,822	404,500	423,341
Licenses and permits	44,008	42,543	51,134	39,746
Use of money and property	15,061	17,672	28,659	12,390
Intergovernmental	755,714	561,815	503,777	671,855
Charges for service	230,525	256,747	266,580	224,874
Miscellaneous	249,822	233,718	450,341	442,022
Contributions	-	-	-	-
<b>Total</b>	<b>\$ 3,186,589</b>	<b>2,913,884</b>	<b>3,158,119</b>	<b>3,208,259</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 941,498	1,409,603	957,766	870,055
Public works	390,239	480,108	288,735	362,636
Culture and recreation	666,903	669,632	702,826	759,209
General government	118,917	53,147	43,674	42,001
Debt service	412,642	353,111	482,248	488,327
Capital projects	1,725,617	201,047	414,133	303,643
<b>Total</b>	<b>\$ 4,255,816</b>	<b>3,166,648</b>	<b>2,889,382</b>	<b>2,825,871</b>

See accompanying independent auditor's report.

(Modified Accrual Basis)					
2014	2013	2012	2011	2010	2009
1,133,742	1,070,832	1,012,623	1,003,077	885,240	908,174
130,999	130,930	129,404	128,722	128,126	77,854
407,512	384,498	399,940	340,424	346,164	404,484
41,065	41,974	16,272	13,939	12,138	10,380
8,104	7,559	8,520	16,611	24,846	35,028
501,178	443,945	426,547	665,765	355,020	371,963
199,376	162,884	203,540	192,775	163,550	157,475
210,697	(81,878)	496,317	169,380	146,849	194,155
-	-	-	-	84,374	80,140
<b>2,632,673</b>	<b>2,160,744</b>	<b>2,693,163</b>	<b>2,530,693</b>	<b>2,146,307</b>	<b>2,239,653</b>
856,412	893,566	1,073,607	767,273	691,962	711,875
266,098	247,400	262,787	297,001	438,045	385,483
722,742	824,134	790,730	880,917	996,276	1,215,194
43,127	90,008	186,254	144,649	125,713	133,730
406,429	418,499	423,010	414,881	336,939	303,119
900,951	343,119	350,179	1,356,578	1,534,489	70,136
<b>3,195,759</b>	<b>2,816,726</b>	<b>3,086,567</b>	<b>3,861,299</b>	<b>4,123,424</b>	<b>2,819,537</b>

**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**

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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 Liberty, 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 June 19, 2019. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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.

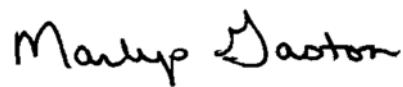
### The City of West Liberty's Responses to the Findings

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

### Purpose of this Report

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

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



Marlys K. Gaston  
CPA  
Deputy Auditor of State

June 19, 2019

City of West Liberty

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 – One of three individuals has control over the following areas:

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

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

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

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

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

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

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

Responses –

City – The City of West Liberty will continue to work to segregate duties of with internal staff.

Friends – The Friends will continue to work to appoint a person who will review all receipts, deposits, and disbursements.

Fire Department – At the recommendation of the State Auditors, the WLFD will continue to work on creating a quarterly review of transactions and monthly bank statement reconciliations with the WLFD Fire Chief and Assistant Fire Chief to provide additional oversight and control.

Conclusion – Response accepted.

(B) Bank Reconciliation

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

Condition – Monthly bank statements are reconciled to the City's monthly financial reports. However, the monthly bank reconciliations are not reviewed and approved by an independent person. The following was noted during a review of the June 2018 bank reconciliation:

- (1) Outstanding deposits included \$1,065 from March and May 2016 and \$184 from August 2017.
- (2) Outstanding deposits include \$4,195 for ambulance revenue recorded twice in the accounting records.
- (3) Other outstanding items include two non-valid reconciling items:
  - a. Journal entry to the accounting records for estimated state withholding for payroll taxes of \$2,395.
  - b. ACH payment in July 2018 of \$1,218.
- (4) The balances per the bank accounts were not reconciled to an amount that agreed with the Year-to-date Treasurer's Report.

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

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are performed and the amounts in the books and bank accounts are complete and accurate to ensure proper accounting for all funds. Also, policies do not require and procedures have not been established to require independent review of the monthly bank reconciliations.

Effect – A lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

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

Responses –

City – The City of West Liberty recently has been able to grow administrative assistant positions for the financial administration. Monthly bank reconciliations will be reviewed by an independent person and differences identified will be investigated and resolved.

Friends – The Friends will continue to work on an appointment for one individual to reconcile the bank statements and a second to verify the reconciliation. The reconciliation will be documented by a report provided to the Friends of the Library board for review.

Conclusion – Responses accepted.

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

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

Condition – The following conditions were noted for utilities:

- (1) Utility billings, collections and delinquent accounts were not reconciled after April 2017 and a delinquent accounts listing was not prepared.
- (2) Collections were not reconciled to bank deposits.
- (3) The City does not have a written policy for write-offs of delinquent accounts.
- (4) For nine write-offs of delinquent accounts reviewed, there was no evidence of approval by City Council.

Cause – Policies have not been established and procedures have not implemented to reconcile utility billings, collections and delinquent accounts, or to reconcile deposits to collections. Policies have not been established for handling write-offs of delinquent accounts.

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

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

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

Response – The City of West Liberty has assigned reconciliation duties to the Administrative Assistant, separate from the collections. The Administrative Assistant will work with the Utility Billing Clerk to create and perform the reconciliations of the monthly billing and collection schedule.

The City of West Liberty will create and implement a policy and procedure for write-offs of delinquent accounts and create checklist for the process in order to collect all the evidence for approval of write offs.

Conclusion – Response accepted.

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

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

Condition – The following conditions were noted for ambulance service:

- (1) The City contracts with a third party to administer ambulance service billings and collections. Although the City maintains a spreadsheet to track amounts billed and collected, there is no reconciliation of billings, collections and delinquent accounts between the administrator and the City's records on a monthly basis.
- (2) The City does not have a written policy for billing, collection and handling of delinquent accounts.
- (3) No further collection efforts beyond the third party administrator's second billing notices have been taken since April 2017.

Cause – Policies have not been established and procedures have not been implemented to reconcile ambulance service billings, collections and receivables. Policies have not be established for handling of delinquent accounts.

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

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

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

Response – The City of West Liberty has assigned the reconciliation process to the Administrative Assistant separate from the ambulance collections. The Administrative Assistant will work with upper management and the third-party service to create a procedure to perform the reconciliation of ambulance receipts on a monthly basis.

The City of West Liberty recently changed the ambulance 3<sup>rd</sup> party relationship and we now have access to more reports and collection options. The City of West Liberty will create a procedure for ambulance receipts, reconciliation and collection/bad debt.

Conclusion – Response accepted.

(E) Journal Entries

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

Condition – For the journal entries tested, the reason for the journal entry was not documented and there was no evidence of independent review.

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

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

Recommendation – To strengthen controls, journal entries should be supported and the support should be provided to the reviewer for approval by an independent person.

Response – The City of West Liberty has assigned the review of journal entries to the Administrative Assistant performing the reconciliation of the monthly financial statements. As part of this review, the Administrative Assistant will ensure that journal entries are properly supported.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

(F) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – During the fiscal year ended June 30, 2018, the City recorded State Revolving Loan Fund principal payments of \$78,000 for the Water Fund and \$512,000 for the Sewer Fund as interest rather than principal. Additionally, interest on water and sewer notes were paid by the Electric Fund. Adjustments were subsequently made by the City to properly include amounts in the financial statements.

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

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

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

Response – Principal payments will be properly recorded by function and in the proper fund.

Conclusion – Response accepted.

(G) Disbursements

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

Condition – Supporting documentation for disbursements is not effectively cancelled to prevent re-use.

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

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

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

Recommendation – Procedures should be established and followed to ensure supporting documentation is effectively cancelled to prevent re-use.

Response – The City will cancel supporting documentation to prevent duplicate payment in accordance with the City's purchasing policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the public works function. Also, disbursements in the 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.”

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

Response – The City of West Liberty will continue with training with the City Clerk/Treasurer to identify amendments during the fiscal year. The identification of budget amounts are the responsibility of the entire financial staff and the City Council.

Conclusion – Response accepted.

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

Paid to	Purpose	Amount
Graphic Printing & Designs, Inc.	Breast cancer awareness t-shirts	\$ 266

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

Response – The City of West Liberty understands the concern and will determine purchases are for a public purpose going forward.

Conclusion – Response accepted.

- (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
Cara McFerren, Council Member, owner Cardinal Sign and Graphics	Signs	\$ 870

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

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

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

Automatic Clearing House (ACH) claims, are not included in the claims reports approved by the City Council for payment and are not included in the City's publication of claims, as required by Chapter 372.13(6) of the Code of Iowa.

The minutes records of several meetings were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City Council should approve and publish all claims, including ACH claims. The City should ensure the City Council minutes are signed, as required.

Response – The City of West Liberty has created an internal audit of financial statements with the claim's listings for accurate reporting. The City of West Liberty will ensure minutes are properly signed.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Notes – The note resolution requires electric user rates be established at a level which produces and maintains net receipts at a level not less than 125% of the principal and interest due in the next fiscal year. The June 30, 2018 net receipts for the Enterprise, Electric Fund are \$355,498, which is less than 125% of the \$505,806 principal and interest due in fiscal year 2019.

Recommendation – The City Council should consult legal counsel to determine the disposition if this matter, including ensuring electric rates are set at an amount sufficient to comply with the requirements of the note resolution.

Response – The City of West Liberty increased and restructured electric rates in 2015. The City of West Liberty will schedule a rate study for fiscal year 2020 to review rates for our bond compliance and ensure sufficient revenues to support operation expenses. The City of West Liberty is currently working with Northland Security to complete the required continuing disclosure financial statement. The Statement will also provide information to assist our review of rates and compliance for the bond.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

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

The TIF debt outstanding reported on the Levy Authority Summary was understated \$3,257,093 due to the City reporting principal and interest due in the following fiscal year rather than all remaining principal and interest due during the life of the obligations.

Recommendation – The City should ensure TIF debt outstanding reported agrees with outstanding principal and interest due during the life of the obligations.

Response – The City will continue to improve on the TIF certification and Urban Renewal Reports with additional training for the City Clerk and will ensure future reports accurately report TIF debt outstanding.

Conclusion – Response accepted.

- (10) Local Option Sales Tax (LOST) – The City's LOST ballot requires LOST receipts be used 33.3% for property tax relief; 33.3% for streets, curbs and gutters, and sewer; and 33.3% for community development projects including but not limited to the improvement of the Library building and other City facilities, community cleanup, and infrastructure improvements. During the fiscal year ended June 30, 2018, the LOST transfer for streets, curbs and gutters was approved but the transfers were not recorded. In addition, the City is not tracking all disbursements for community development projects in order to ensure funds are spent in accordance with the ballot.

Recommendation – The City should ensure transfers are recorded as authorized by the City Council. Additionally, disbursements should be tracked in order to document the specific criteria of the LOST ballot.

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

Conclusion – Response accepted.

- (11) Employee Benefits Fund – During fiscal year 2008, the City transferred \$385,657 from the Special Revenue, Employee Benefits Fund to the General Fund, \$33,294 in excess of the amount of benefits paid by the General Fund.

Recommendation – The City should ensure property tax is levied and expended for employee benefits only for employees paid from the General Fund and the Special Revenue, Road Use Tax Fund. The City should review transfers and ensure the appropriate amount has been transferred and any excess balance should be transferred back to the Special Revenue, Employee Benefit Fund.

Response – The City of West Liberty will correct the employee benefit levy and if more funds are received, the City will only transfer what is needed for the cost of General and Road Use Tax Fund employees.

Conclusion – Response accepted.

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

- (12) Separately Maintained Accounts – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The Police department maintains a savings account and the Library maintains a checking account for activity separate from the City Clerk’s accounting records. While these Departments are part of the City, the transactions and the resulting balances were not included in the City’s annual budget and monthly financial reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account’s receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Police and Library departments separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records and monthly financial reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published , as required.

Response – The City of West Liberty will transfer the Library and Police Department’s bank accounts to City Hall and include the accounts with the monthly reconciliation process. The accounts will be included with the monthly Treasurer’s report for City Council.

Conclusion – Response accepted.

- (13) Utility Fees and Penalties – The City credits all penalties and fees associated with all utilities, including water and sewer, to the Enterprise, Electric Fund.

Recommendation – The City should credit penalties and fees collected on water and sewer bills to the Water and Sewer Funds.

Response – The City of West Liberty’s fees primarily pertain to electric utility disconnects and reconnects. In the future, the late fee will be reviewed with the financial software system to establish a way to distribute the fee to each utility.

Conclusion – Response accepted.

- (14) Notice of Public Hearing for Public Improvements – The City posted the notice for the public hearing to approve the plans, specifications, contract and estimated costs for the Electric Switchgear Project on the City’s web page rather than publishing the notice in the newspaper as required by Chapters 26.12 and 362.3 of the Code of Iowa.

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

Recommendation – Before entering into a contract for the public improvement with an estimated cost in excess of the competitive bid threshold of \$50,000, the City Council should publish the notice for holding a public hearing in compliance with Chapter 26.12 and 362.3 of the Code of Iowa.

Response – The City will publish the public hearings as required going forward.

Conclusion – Response accepted.

- (15) Extra Compensation – During the fiscal year, the City's component unit, West Liberty Fire Department, Inc. (Fire Department), paid a salaried City employee \$1,430 for after-hours EMS calls. City policy prohibits overtime pay for salaried employees. The proper federal and state taxes were not withheld on the additional compensation and the additional compensation was not reported by the City on Internal Revenue Service (IRS) Form W-2.

Recommendation – All compensation to City employees should be paid in accordance with City policy through City payroll and subject to payroll taxes and withholdings. The City should contact IPERS, the Iowa Department of Revenue and the IRS to determine the disposition of the unreported compensation.

Response – The City of West Liberty has addressed the compensation issue with the West Liberty Fire Department and asked the Fire Department to provide an W-2 for the compensation.

Conclusion – Response accepted.

- (16) Senior Dining Expenses – During the fiscal year, the City donated \$2,204 to the Community Wellness Center, a private non-profit organization, for senior dining expenses.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 of the Constitution of the State of Iowa states, "...no public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the general assembly."

We previously requested a letter of advice from the Iowa Attorney General regarding the propriety of a gift to a private non-profit organization. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2008. The advice letter states, in part:

"...I do not believe that a City library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be 'public funds,' subject to the

City of West Liberty

Schedule of Findings

Year ended June 30, 2018

deposit and investment standards contained in code sections 12B and 12C (of the code of Iowa) and that the funds must be earmarked and spent for the purpose of which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of funds received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking."

Recommendation – We are not aware of any statutory authority for the City to relinquish its fiduciary responsibility over its public funds to separate non-profit organizations. The City should recover remaining funds provided to these non-profit organizations for current and past, if any, donations.

Response – The City of West Liberty no longer provides the contribution for the Senior Dining.

Conclusion – Response accepted.

- (17) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of the Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – The City of West Liberty will review outstanding checks and file the report with the Office of the Treasurer of State.

Conclusion – Response accepted.

City of West Liberty

Staff

This audit was performed by:

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