



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 18, 2013

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on City of West Union, Iowa.

The City's receipts totaled \$7,039,707 for the year ended June 30, 2012, a 35% increase over the prior year. The receipts included \$1,099,032 in property tax, \$161,930 from tax increment financing, \$1,043,985 from charges for service, \$549,348 from operating grants, contributions and restricted interest, \$2,791,044 from capital grants, contributions and restricted interest, \$187,217 from local option sales tax, \$13,742 from unrestricted interest on investments, \$1,160,313 from bond proceeds and \$33,096 from other general receipts.

Disbursements for the year totaled \$6,433,040, a 45% increase over the prior year, and included \$2,895,476 for capital projects, \$623,289 for public works and \$562,778 for culture and recreation. Also, disbursements for business type activities totaled \$1,460,407.

The significant increase in receipts and disbursements is primarily due to the receipt of state and federal grants which were disbursed for capital related projects.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1220-0322-B00F.pdf>.

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CITY OF WEST UNION

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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City of West Union

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Before January 1, 2012		
Merlin Dunt	Mayor	Jan 2012
Karen Halva	Council Member	Jan 2012
Marc Rue	Council Member	Jan 2012
Troy Schott	Council Member	Jan 2012
Britt Dyke	Council Member	(Resigned Dec 2011)
Roy Guenther	Council Member	Jan 2014
Robert Vagts	City Clerk/Administrator	Indefinite
Amie Johansen	Deputy City Clerk	Indefinite
Jeremiah White	Attorney	Indefinite
After January 1, 2012		
Kent Halverson	Mayor	Jan 2014
Roy Guenther	Council Member	Jan 2014
Mike Lauer	Council Member	Jan 2014
Cathy Bemiss	Council Member	Jan 2016
Joshua Blietz	Council Member	Jan 2016
Kennon Gumm	Council Member	Jan 2016
Robert Vagts	City Clerk/Administrator	Indefinite
Amie Johansen	Deputy City Clerk	Indefinite
Jeremiah White	Attorney	Indefinite

City of West Union



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Union's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

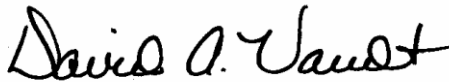
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2013 on our consideration of the City of West Union's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Union's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the eight years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared in conformity

with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Union's basis financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Union provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 10.5%, or approximately \$490,000, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$335,000, operating grants, contributions and restricted interest increased approximately \$191,000, capital grants, contributions and restricted interest increased approximately \$2,645,000 and bond proceeds decreased approximately \$2,655,000.
- Disbursements of the City's governmental activities increased 34%, or approximately \$1,271,000, in fiscal year 2012 over fiscal year 2011. Community and economic development decreased approximately \$165,000 while public works, culture and recreation, debt service and capital projects disbursements increased approximately \$165,000, \$204,000, \$188,000 and \$824,000, respectively. Capital projects increased as a result of the Green Streetscape Pilot and the U.S. Environmental Protection Agency (EPA) Climate Showcase Communities projects.
- The City's total cash basis net assets increased 32%, or approximately \$607,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$187,000 and the assets of the business type activities increased approximately \$419,000.

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 Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

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

Fund Financial Statements

The City has two kinds of funds:

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

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

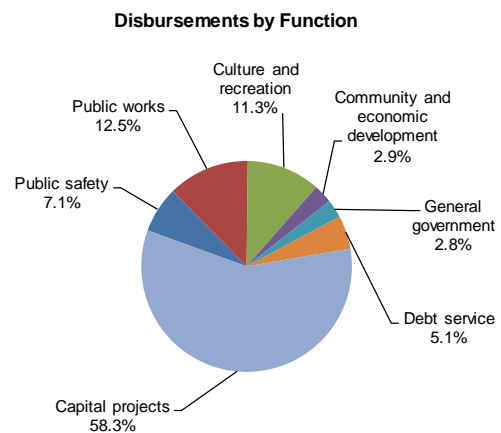
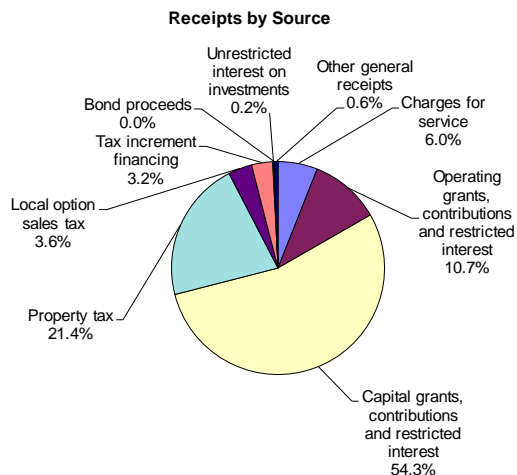
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1,608,000 to approximately \$1,795,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 309	263
Operating grants, contributions and restricted interest	549	358
Capital grants, contributions and restricted interest	2,791	146
General receipts:		
Property tax	1,099	764
Tax increment financing	162	212
Local option sales tax	187	190
Unrestricted interest on investments	12	8
Bond proceeds	-	2,655
Other general receipts	30	53
Total receipts	5,139	4,649
Disbursements:		
Public safety	355	331
Public works	623	458
Culture and recreation	563	359
Community and economic development	143	308
General government	141	110
Debt service	252	64
Capital projects	2,895	2,071
Total disbursements	4,972	3,701
Change in cash basis net assets before transfers	167	948
Transfers, net	20	(128)
Change in cash basis net assets	187	820
Cash basis net assets beginning of year, as restated	1,608	788
Cash basis net assets end of year	\$ 1,795	1,608



The City's total receipts for governmental activities increased 10.5%, or approximately \$490,000. The total cost of all programs and services increased approximately \$1,271,000, or 34%, with no new programs added this year. The increase in receipts was primarily the result of state and federal grants received and an increase in property tax. Since general obligation debt was issued during the year ended June 30, 2011, the debt service levy increased from \$.22665 per \$1,000 of taxable valuation in fiscal year 2011 to \$3.20312 per \$1,000 of taxable valuation in fiscal year 2012 to pay the debt. The employee benefits levy also increased from \$2.27763 per \$1,000 of taxable valuation in fiscal year 2011 to \$3.02098 per \$1,000 of taxable valuation. The increase in disbursements was primarily due to the Green Streetscape Pilot project and the EPA Climate Showcase project funded with the state and federal grants.

The cost of all governmental activities this year was approximately \$4.972 million compared to approximately \$3.701 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$1.324 million because some of the cost was paid by those directly benefited from the programs (\$308,583) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$3,340,392). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2012 from approximately \$767,000 to approximately \$3,649,000. This was primarily due to more state and federal grants for capital projects received in fiscal year 2012.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 362	247
Sewer	373	302
General receipts:		
Unrestricted interest on investments	1	2
Bond proceeds	1,160	-
Other general receipts	3	5
Total receipts	<u>1,899</u>	<u>556</u>
Disbursements:		
Water	1,164	434
Sewer	296	294
Total disbursements	<u>1,460</u>	<u>728</u>
Change in cash basis net assets before transfers	439	(172)
Transfers, net	<u>(20)</u>	128
Change in cash basis net assets	419	(44)
Cash basis net assets beginning of year	<u>289</u>	<u>333</u>
Cash basis net assets end of year	<u>\$ 708</u>	<u>289</u>

Total business type activities receipts for the fiscal year were approximately \$1,899,000 compared to approximately \$556,000 last year. This increase was due primarily to the issuance of water revenue bonds and the establishment of a water and sewer surcharge for future capital improvements. The cash balance increased approximately \$419,000 over the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Union completed the year, its governmental funds reported a combined fund balance of approximately \$1,795,000, an increase of more than \$187,000 above last year's total of approximately \$1,608,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$228,034 over the prior year balance of \$420,965. The receipts increased approximately \$299,000 compared to the prior year. This was primarily due to an increase of approximately \$65,000 from property tax, approximately \$112,000 of intergovernmental receipts related to the airport, approximately \$31,000 of charges for service, primarily related to landfill recycling fees, and approximately \$87,000 of miscellaneous receipts related to park improvements. Disbursements increased approximately \$209,000 over the prior year. Disbursements in all functions increased due to the Clark Park project, a park and recreation fundraiser, park and recreation operating supplies which were offset by increased receipts for concession sales and grant funding and a piece of equipment purchased for the airport with a federal grant.
- At the end of the fiscal year, the Special Revenue, Road Use Tax Fund cash balance was \$137,144, an increase of \$8,915 over the previous year. Road use tax receipts remained fairly consistent and disbursements increased approximately \$20,000.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$45,789 to \$191,684. Receipts were \$162,516 while disbursements were \$116,727, both less than the prior year. The City transferred \$69,887 to the Capital Projects Fund in fiscal year 2011 but made no transfers in fiscal year 2012.
- The Capital Projects Fund cash balance decreased \$83,614 from the prior year. During the year, the City continued work on downtown capital projects, such as Iowa Great Places and the EPA Climate Showcase. Receipts increased approximately \$2,611,000 and disbursements increased approximately \$824,000 as the projects continued.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$360,265 to \$443,251, due primarily to water revenue bond proceeds which were not completely spent during the year and the establishment of a water surcharge for future capital improvements.
- The Enterprise, Sewer Fund cash balance increased \$59,099 to \$265,074, due primarily to the establishment of a sewer surcharge for future capital improvements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 21, 2012 and resulted in an overall decrease in receipts of \$384,745 due to reduced estimates of intergovernmental revenues, netted against an increase in charges for service. Disbursements increased \$155,165 due to disbursements related to the Green Streetscape Pilot project and business type activities.

The City's receipts were \$836,849 less than the amended budgeted. This was primarily due to the City receiving less in intergovernmental receipts than budgeted.

Total disbursements were \$790,818 less than the amended budget. Actual disbursements for the public safety, public works and capital projects functions were approximately \$22,000, \$29,000 and \$1,544,524, respectively, less than the amended budget. The City budgeted the capital projects related to the water utility in the capital projects function rather than the business type activities function.

The City exceeded the amounts budgeted in the culture and recreation and business type activities functions for the year ended June 30, 2012 by \$56,985 and \$752,355, respectively, due to greater than budgeted disbursements related to park and recreation activities, the library and employee benefits related to those areas and budgeting the Water Fund capital projects disbursements as capital projects rather than business type activities.

DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$3,994,300 of bonds and other long-term debt outstanding, compared to approximately \$3,182,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2012	2011
General obligation bonds	\$ 2,505	2,665
Loan agreements	50	73
Revenue notes	1,439	444
Total	\$ 3,994	3,182

Debt increased as a result of issuing revenue notes for the water system.

The City continues to carry a general obligation bond rating of A assigned by Moody's Investors Service. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt, including TIF rebate agreements of \$1,046,036 and local option sales tax bonds of \$309,252, is \$3,910,371, which is well below the statutory debt limit of approximately \$5,600,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of West Union's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City at August 2012 was at 5.5%. This compares with the State's unemployment rate of 5.5% and the national rate of 8.1% as of the same time period.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$8.3 million, a significant increase over the final fiscal year 2012 budget. Proceeds from federal and state grants and increased charges for service are expected to lead this increase. The City will use these increases in receipts to continue the construction projects started in prior years and to defray increases in operating disbursements, liability insurance and employee benefit costs. Budgeted disbursements are expected to increase approximately \$1,043,000 over the fiscal year 2012 original budget. Disbursements for the Green Streetscape Pilot project, increased health care and liability insurance costs and increases in general operating costs represent the largest increases. The City has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$118,000 by the close of fiscal year 2013.

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 Bob Vagts, City Administrator, 612 Highway 150 South, City of West Union, Iowa 52175.

Basic Financial Statements

City of West Union

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 355,167	40,299	35,385	-
Public works	623,289	142,366	402,698	-
Culture and recreation	562,778	125,918	106,883	-
Community and economic development	143,280	-	-	-
General government	141,128	-	-	-
Debt service	251,515	-	4,382	-
Capital projects	2,895,476	-	-	2,791,044
Total governmental activities	4,972,633	308,583	549,348	2,791,044
Business type activities:				
Water	1,163,744	362,126	-	-
Sewer	296,663	373,276	-	-
Total business type activities	1,460,407	735,402	-	-
Total	\$ 6,433,040	1,043,985	549,348	2,791,044

General Receipts and Transfers:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Unrestricted interest on investments

Bond proceeds, net of discount of \$14,687

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:

Cemetery

Expendable:

Urban renewal purposes

Streets

Debt service

Capital projects

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(279,483)	-	(279,483)
(78,225)	-	(78,225)
(329,977)	-	(329,977)
(143,280)	-	(143,280)
(141,128)	-	(141,128)
(247,133)	-	(247,133)
(104,432)	-	(104,432)
(1,323,658)	-	(1,323,658)
-	(801,618)	(801,618)
-	76,613	76,613
-	(725,005)	(725,005)
(1,323,658)	(725,005)	(2,048,663)
877,317	-	877,317
221,715	-	221,715
161,930	-	161,930
187,217	-	187,217
12,260	1,482	13,742
-	1,160,313	1,160,313
30,052	3,044	33,096
20,470	(20,470)	-
1,510,961	1,144,369	2,655,330
187,303	419,364	606,667
1,608,061	288,961	1,897,022
\$ 1,795,364	708,325	2,503,689
\$ 89,936	-	89,936
191,684	-	191,684
137,144	-	137,144
-	92,663	92,663
731,303	336,691	1,067,994
87,165	5,184	92,349
558,132	273,787	831,919
\$ 1,795,364	708,325	2,503,689

City of West Union

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

As of and for the year ended June 30, 2012

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 635,940	-	-
Tax increment financing	-	-	161,930
Other city tax	36,066	-	-
Licenses and permits	6,879	-	-
Use of money and property	13,377	-	586
Intergovernmental	195,894	235,800	-
Charges for service	244,205	-	-
Miscellaneous	140,985	11,880	-
Total receipts	1,273,346	247,680	162,516
Disbursements:			
Operating:			
Public safety	258,565	-	-
Public works	340,684	238,765	-
Culture and recreation	335,184	-	-
Community and economic development	26,553	-	116,727
General government	103,083	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,064,069	238,765	116,727
Excess (deficiency) of receipts over (under) disbursements	209,277	8,915	45,789
Other financing sources (uses):			
Operating transfers in	18,757	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	18,757	-	-
Change in cash balances	228,034	8,915	45,789
Cash balances beginning of year, as restated	420,965	128,229	145,895
Cash balances end of year	\$ 648,999	137,144	191,684
Cash Basis Fund Balances			
Nonspendable - Cemetery	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	191,684
Streets	-	137,144	-
Capital projects	-	-	-
Other purposes	33,109	-	-
Assigned for:			
Library	200,691	-	-
Park	128,964	-	-
Cemetery	28,898	-	-
Unassigned	257,337	-	-
Total cash basis fund balances	\$ 648,999	137,144	191,684

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	427,026	1,062,966
-	-	161,930
-	187,217	223,283
-	-	6,879
2,061	7,929	23,953
2,791,044	-	3,222,738
-	850	245,055
-	39,797	192,662
2,793,105	662,819	5,139,466
-	96,602	355,167
-	43,840	623,289
-	227,594	562,778
-	-	143,280
-	38,045	141,128
-	251,515	251,515
2,895,476	-	2,895,476
2,895,476	657,596	4,972,633
(102,371)	5,223	166,833
18,757	20,470	57,984
-	(37,514)	(37,514)
18,757	(17,044)	20,470
(83,614)	(11,821)	187,303
814,917	98,055	1,608,061
731,303	86,234	1,795,364
-	89,936	89,936
-	-	191,684
-	-	137,144
731,303	-	731,303
-	54,056	87,165
-	-	200,691
-	-	128,964
-	-	28,898
-	(57,758)	199,579
731,303	86,234	1,795,364

City of West Union

City of West Union

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

As of and for the year ended June 30, 2012

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 362,126	373,276	735,402
Operating disbursements:			
Business type activities	233,283	271,509	504,792
Excess of operating receipts over operating disbursements	128,843	101,767	230,610
Non-operating receipts (disbursements):			
Interest on investments	503	979	1,482
Miscellaneous	1,067	1,977	3,044
Bond proceeds, net of discount of \$14,687	1,160,313	-	1,160,313
Debt service	(90,255)	-	(90,255)
Capital projects	(840,206)	(25,154)	(865,360)
Net non-operating receipts (disbursements)	231,422	(22,198)	209,224
Excess of receipts over disbursements	360,265	79,569	439,834
Transfers out	-	(20,470)	(20,470)
Change in cash balances	360,265	59,099	419,364
Cash balances beginning of year	82,986	205,975	288,961
Cash balances end of year	\$ 443,251	265,074	708,325
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ 92,663	-	92,663
Capital projects	275,712	60,979	336,691
Meter deposits	5,184	-	5,184
Unrestricted	69,692	204,095	273,787
Total cash basis fund balances	\$ 443,251	265,074	708,325

See notes to financial statements.

City of West Union

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of West Union is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of West Union (the primary government) and the West Union Volunteer Firefighters Incorporated (component unit). This component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit - The West Union Volunteer Firefighters Incorporated is legally separate from the City but 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 nonmajor governmental funds.

Jointly Governed Organizations

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

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

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets 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 imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2012 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 insure 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. 3, as amended by Statement No. 40.

(3) Bonds and Loan Agreement Payable

Annual debt service requirements to maturity for general obligation bonds, the fire truck loan agreement and water revenue bonds are as follows:

Year Ending June 30,	General		Fire Truck		Water		Total	
	Obligation Bonds		Loan Agreement		Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 160,000	62,888	24,511	2,091	45,000	46,550	229,511	111,529
2014	165,000	61,287	25,572	913	45,000	45,088	235,572	107,288
2015	165,000	59,143	-	-	45,000	43,625	210,000	102,768
2016	170,000	56,502	-	-	45,000	42,162	215,000	98,664
2017	175,000	53,443	-	-	50,000	40,700	225,000	94,143
2018-2022	980,000	202,027	-	-	260,000	178,963	1,240,000	380,990
2023-2027	690,000	47,420	-	-	320,000	125,487	1,010,000	172,907
2028-2031	-	-	-	-	320,000	42,200	320,000	42,200
Total	\$ 2,505,000	542,710	50,083	3,004	1,130,000	564,775	3,685,083	1,110,489

Revenue Bonds

Local option sales tax revenue bonds of \$1,100,000 were issued in June 2005 and the proceeds were used to construct the aquatic center. The bonds are payable solely from local option sales tax receipts through 2015. According to the local option sales tax election ballot, 80% of monthly local option sales tax receipts are to be used to pay the principal and interest due on the bonds. Therefore, there is no established repayment schedule. The total principal remaining to be paid on the bonds is \$309,252. The

bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. For the current year, principal and interest paid were \$134,726 and \$15,047, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,175,000 of water revenue bonds issued in August 2011. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 65% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,694,775. For the current year, principal and interest paid and total customer net receipts were \$83,010, and \$128,843, respectively.

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

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

For the year ended June 30, 2012, the City had not established the sinking or reserve accounts.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$53,010, \$45,041 and \$46,164, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

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

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$456 for single coverage and \$1,140 for family coverage for medical/prescription drug benefits. Currently, 13 employees pay \$112 per month for family coverage health benefits while the other two do not pay a monthly amount for coverage. For the year ended June 30, 2012, the City contributed \$176,335 and plan members eligible for benefits contributed \$10,692 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and floating holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and floating holiday hours payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 42,000
Holidays	<u>6,000</u>
Total	<u>\$ 48,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 18,757
Capital Projects	Special Revenue:	
	Local Option Sales Tax	18,757
Debt Service	Enterprise:	
	Sewer	<u>20,470</u>
Total		<u>\$ 57,984</u>

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

(8) Risk Management

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

(9) Employee Health/Dental Insurance Plan

The City has a group insurance policy through Wellmark which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City provides for a fully insured benefit through Wellmark. The City is responsible for the first \$200 of the deductible for each eligible person, up to \$400 per family, and 80% of any remaining deductible.

The City also will reimburse each employee up to \$750 per calendar year for eligible dental claims. There is also a one-time payment of \$500 per employee or employee's family for braces.

The City pays employees for the eligible claims from the Special Revenue, Employee Benefits and Enterprise, Water and Sewer Funds. During the year ended June 30, 2012, the City paid \$21,573 to employees for claims.

(10) Rebate Agreements

The City has entered into ten rebate agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the participating companies in exchange for the construction or improvement of buildings. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to fifteen years beginning with the tax year in which the property tax on the completed value of the improvements are first paid. Certain agreements also require the company to certify specific employment requirements have been met. The total to be paid by the City under the agreements is not to exceed \$1,709,707. During the year ended June 30, 2012, the City rebated \$102,745 of incremental property tax to the participating companies. The balance outstanding on these agreements at June 30, 2012 was \$1,286,183.

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

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

(11) Deficit Balances

The Special Revenue, Employee Benefits and Debt Service Funds had deficit balances of \$15,833 and \$41,925, respectively, at June 30, 2012. The deficit balances were a result of claims exceeding receipts and tax collections. The deficits will be eliminated from future grant and property tax receipts.

(12) Contractual Commitments

The City entered into various construction contracts for the Streetscape, Otter Creek and Civic Plaza projects totaling approximately \$6,916,000. The unpaid contract balances as of June 30, 2012 totaled approximately \$3,352,000, which will be paid as work on the projects progresses.

(13) Prior Period Restatement

For the year ended June 30, 2012, the Statement of Activities and Net Assets – Cash Basis beginning cash basis net assets for governmental activities decreased \$5,565 to \$1,608,061 due to exclusion of the Friends of the Library of West Union which was determined to be immaterial.

Other Information

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,062,966	-	-
Tax increment financing	161,930	-	-
Other city tax	223,283	-	-
Licenses and permits	6,879	-	-
Use of money and property	23,953	1,482	139
Intergovernmental	3,222,738	-	-
Charges for service	245,055	735,402	-
Miscellaneous	192,662	3,044	35,246
Total receipts	5,139,466	739,928	35,385
Disbursements:			
Public safety	355,167	-	18,080
Public works	623,289	-	-
Health and social services	-	-	-
Culture and recreation	562,778	-	-
Community and economic development	143,280	-	-
General government	141,128	-	-
Debt service	251,515	-	-
Capital projects	2,895,476	-	-
Business type activities	-	1,460,407	-
Total disbursements	4,972,633	1,460,407	18,080
Excess (deficiency) of receipts over (under) disbursements	166,833	(720,479)	17,305
Other financing sources, net	20,470	1,139,843	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	187,303	419,364	17,305
Balances beginning of year, as restated	1,608,061	288,961	18,761
Balances end of year	\$ 1,795,364	708,325	36,066

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,062,966	1,039,113	1,039,113	23,853
161,930	127,576	150,000	11,930
223,283	251,264	251,264	(27,981)
6,879	5,500	5,800	1,079
25,296	11,250	11,250	14,046
3,222,738	4,815,700	4,256,281	(1,033,543)
980,457	792,400	944,350	36,107
160,460	22,800	22,800	137,660
5,844,009	7,065,603	6,680,858	(836,849)
337,087	358,950	358,950	21,863
623,289	612,725	652,725	29,436
-	500	500	500
562,778	505,793	505,793	(56,985)
143,280	125,546	145,546	2,266
141,128	142,510	142,510	1,382
251,515	251,202	251,702	187
2,895,476	4,440,000	4,440,000	1,544,524
1,460,407	613,387	708,052	(752,355)
6,414,960	7,050,613	7,205,778	790,818
(570,951)	14,990	(524,920)	(46,031)
1,160,313	-	-	1,160,313
589,362	14,990	(524,920)	1,114,282
1,878,261	1,017,061	1,878,719	(458)
2,467,623	1,032,051	1,353,799	1,113,824

City of West Union

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$155,165. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions.

Supplementary Information

City of West Union

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

As of and for the year ended June 30, 2012

	Special Revenue		
	Employee Benefits	Local Option Sales Tax	West Union Volunteer Firefighters Incorporated
Receipts:			
Property tax	\$ 205,311	-	-
Other city tax	-	187,217	-
Use of money and property	22	120	139
Charges for services	-	-	-
Miscellaneous	4,551	-	35,246
Total receipts	209,884	187,337	35,385
Disbursements:			
Operating:			
Public safety	78,522	-	18,080
Public works	43,840	-	-
Culture and recreation	77,821	149,773	-
General government	38,045	-	-
Debt service	-	-	-
Total disbursements	238,228	149,773	18,080
Excess (deficiency) of receipts over (under) disbursements	(28,344)	37,564	17,305
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	(37,514)	-
Total other financing sources (uses)	-	(37,514)	-
Change in cash balances	(28,344)	50	17,305
Cash balances beginning of year	12,511	17,940	18,761
Cash balances end of year	\$ (15,833)	17,990	36,066
Cash Basis Fund Balances			
Nonspendable - Cemetery	\$ -	-	-
Restricted for other purposes	-	17,990	36,066
Unassigned	(15,833)	-	-
Total cash basis fund balances	\$ (15,833)	17,990	36,066

See accompanying independent auditor's report.

Debt Service	Permanent		Total
	Cemetery Perpetual Care	Cemetery Mausleum	
221,715	-	-	427,026
-	-	-	187,217
4,382	2,897	369	7,929
-	850	-	850
-	-	-	39,797
226,097	3,747	369	662,819
-	-	-	96,602
-	-	-	43,840
-	-	-	227,594
-	-	-	38,045
251,515	-	-	251,515
251,515	-	-	657,596
(25,418)	3,747	369	5,223
20,470	-	-	20,470
-	-	-	(37,514)
20,470	-	-	(17,044)
(4,948)	3,747	369	(11,821)
(36,977)	75,820	10,000	98,055
(41,925)	79,567	10,369	86,234
-	79,567	10,369	89,936
-	-	-	54,056
(41,925)	-	-	(57,758)
(41,925)	79,567	10,369	86,234

City of West Union
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Nov 3, 2010	0.75 - 3.50%	\$ 2,665,000
Loan agreement:			
Fire truck	Jan 20, 2009	4.75%	\$ 115,000
Revenue bonds:			
Local option sales tax	Jun 27, 2005	4.00%	\$ 1,100,000
Water	Aug 16, 2011	3.25 - 5.25	1,175,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,665,000	-	160,000	2,505,000	64,088
73,456	-	23,373	50,083	3,229
443,978	-	134,726	309,252	15,047
-	1,175,000	45,000	1,130,000	38,010
<u>\$ 443,978</u>	<u>1,175,000</u>	<u>179,726</u>	<u>1,439,252</u>	<u>53,057</u>

City of West Union

City of West Union
Bond and Loan Maturities
June 30, 2012

Year Ending June 30,	General Obligation Bonds Corporate Purpose, Series 2010 Issued Nov 3, 2010		Fire Truck Loan Agreement Issued Jan 20, 2009		Water Revenue Bonds Issued Aug 16, 2011	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2013	1.00%	\$ 160,000	4.75%	\$ 24,511	3.25%	\$ 45,000
2014	1.30	165,000	4.75	25,572	3.25	45,000
2015	1.60	165,000	-	-	3.25	45,000
2016	1.80	170,000	-	-	3.25	45,000
2017	2.00	175,000	-	-	3.25	50,000
2018	2.30	180,000	-	-	3.25	50,000
2019	2.50	190,000	-	-	3.25	50,000
2020	2.75	195,000	-	-	3.25	50,000
2021	3.00	205,000	-	-	3.25	55,000
2022	3.10	210,000	-	-	4.00	55,000
2023	3.20	220,000	-	-	4.00	60,000
2024	3.30	230,000	-	-	4.00	60,000
2025	3.50	240,000	-	-	4.50	65,000
2026	-	-	-	-	4.50	65,000
2027	-	-	-	-	4.50	70,000
2028	-	-	-	-	5.00	75,000
2029	-	-	-	-	5.00	80,000
2030	-	-	-	-	5.25	80,000
2031	-	-	-	-	5.25	85,000
Total		<u>\$ 2,505,000</u>		<u>\$ 50,083</u>		<u>\$ 1,130,000</u>

See accompanying independent auditor's report.

City of West Union

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

For the Last Ten Years

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 1,062,966	733,575	749,031	689,561
Tax increment financing	161,930	212,149	108,250	100,928
Other city tax	223,283	220,684	184,786	210,615
Licenses and permits	6,879	8,360	6,255	7,565
Use of money and property	23,953	19,496	23,960	32,328
Intergovernmental	3,222,738	476,870	250,641	316,183
Charges for service	245,055	212,746	201,360	222,188
Miscellaneous	192,662	110,978	425,427	55,917
Total	\$ 5,139,466	1,994,858	1,949,710	1,635,285
Disbursements:				
Operating:				
Public safety	\$ 355,167	331,157	369,303	627,563
Public works	623,289	457,949	513,331	577,220
Health and social services	-	-	396	351
Culture and recreation	562,778	358,602	524,056	465,741
Community and economic development	143,280	308,356	107,027	81,080
General government	141,128	109,730	120,497	110,379
Debt service	251,515	64,236	26,602	-
Capital projects	2,895,476	2,071,268	423,717	80,839
Total	\$ 4,972,633	3,701,298	2,084,929	1,943,173

See accompanying independent auditor's report.

2008	2007	2006	2005	2004	2003
715,513	681,350	659,001	594,144	581,750	589,872
74,853	64,304	47,681	189,400	178,698	177,693
200,105	211,504	168,635	166,190	192,585	208,945
6,515	6,319	8,191	8,135	7,526	6,305
40,890	39,305	31,790	13,818	11,419	28,602
674,719	225,086	224,156	225,764	257,676	404,551
205,464	189,212	193,760	189,794	144,773	157,216
44,990	151,144	81,265	700,583	130,341	87,592
<u>1,963,049</u>	<u>1,568,224</u>	<u>1,414,479</u>	<u>2,087,828</u>	<u>1,504,768</u>	<u>1,660,776</u>

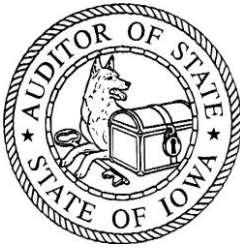
334,739	291,880	311,015	248,540	278,575	399,565
836,787	500,268	415,784	358,248	362,200	417,556
360	334	316	338	280	300
424,953	426,178	390,888	250,716	318,031	310,812
60,232	59,299	313,880	135,380	18,055	16,678
119,533	103,449	117,047	105,794	117,976	109,628
1,053	26,115	69,244	234,560	339,885	428,524
62,900	130,425	164,549	1,171,332	480,316	171,269
<u>1,840,557</u>	<u>1,537,948</u>	<u>1,782,723</u>	<u>2,504,908</u>	<u>1,915,318</u>	<u>1,854,332</u>

City of West Union
 Schedule of Federal Financial Assistance
 Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Transportation: Airport Improvement Program	20.106	AIP-3-19-0128-04	\$ 152,190
U.S. Environmental Protection Agency: Climate Showcase Communities Grant Program	66.041	AF-83452001-0	261,789
U.S. Department of Energy: Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0003804/000	<u>128,727</u>
Total Direct			<u>542,706</u>
Indirect:			
U.S. Department of Housing and Urban Development: Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	09-OT-002	121,042
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	09-DTR-002	<u>121,614</u>
Total Indirect			<u>242,656</u>
Total			<u>\$ 785,362</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of West Union and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 20, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

Internal Control Over Financial Reporting

The management of the City of West Union is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of West Union's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Union's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Union's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of West Union's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-12 through II-E-12 to be significant deficiencies.

Compliance and Other Matters

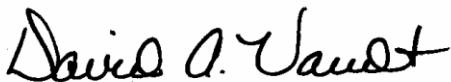
As part of obtaining reasonable assurance about whether the City of West Union's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of West Union's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of West Union's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Union and other parties to whom City of West Union may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2013

City of West Union

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the City of West Union, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of West Union's major federal programs for the year ended June 30, 2012. The City of West Union's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs are the responsibility of the City of West Union's management. Our responsibility is to express an opinion on the City of West Union's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of West Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of West Union's compliance with those requirements.

In our opinion, the City of West Union complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

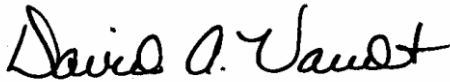
Internal Control Over Compliance

The management of the City of West Union is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of West Union's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of West Union's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Union and other parties to whom the City of West Union may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2013

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA 20.106 Airport Improvement Program
 - CFDA 66.041 Climate Showcase Communities Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of West Union did not qualify as a low-risk auditee.

City of West Union

Schedule of Findings & Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One or two individuals identified may have control over the following areas for which no compensating controls exist:

- Accounting system – performing all general accounting functions, including journal entries and having custody of the City’s assets.
- Cash – handling petty cash, collecting, depositing, reconciling, posting and signing checks.
- Bank reconciliations – preparation and approval.
- Long term debt – maintaining agreements, reconciling and signing checks.
- Receipts – collecting and recording.
- Utility receipts – billing, collecting and posting.

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

Response – The City of West Union will continue to research and implement procedures to maximize internal controls and segregation of duties.

Conclusion – Response accepted.

II-B-12 Financial Reporting – During the audit, we identified a material amount of water revenue bond proceeds misposted to the Debt Service Fund rather than the Enterprise, Water Fund. In addition, disbursements from the bond proceeds were posted to the Capital Projects Fund rather than the Enterprise, Water Fund.

Recommendation – The City should implement procedures to ensure bond proceeds and the related disbursements are properly recorded in the City’s financial statements.

Response – The City of West Union has transferred all bond proceeds and the related disbursements to the correct Enterprise, Water Fund.

Conclusion – Response accepted.

II-C-12 Journal Entries – Journal entries were not reviewed and approved by an independent person.

Recommendation – To strengthen controls, journal entries should be reviewed and approved by an independent person.

City of West Union

Schedule of Findings & Questioned Costs

Year ended June 30, 2012

Response – The City of West Union will ensure someone other than the employee making journal entries reviews them for accuracy.

Conclusion – Response accepted.

II-D-12 Segregation of Duties – West Union Volunteer Firefighters – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the financial statements. For the West Union Volunteer Firefighters:

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

Recommendation – We realize segregation of duties is difficult with a limited number of available individuals. However, the West Union Volunteer Firefighters should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members.

Response – The City of West Union will continue to monitor all transactions of the West Union Volunteer Firefighters on a semi-annual basis. All records will continue to be available for state and/or independent auditing firm.

Conclusion – Response accepted.

II-E-12 Credit Cards – The City has credit cards for use by employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges. Supporting documentation for all credit card charges should be retained.

Response – All credit card use must be approved by the City Administrator. All credit card documents/transactions are currently being retained. A policy describing the use of City credit cards is being developed for fiscal year 2013-2014.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Union

Schedule of Findings & Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

City of West Union

Schedule of Findings & Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the culture and recreation and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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 – Monies obtained through fundraising activities were not accounted for in parks and recreation. The business type activities function was exceeded due to disbursements transferred to this fund. All funds have been corrected through the appropriate transfers.

Conclusion – Response accepted.

IV-B-12 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion date April 25, 1979 were noted.

IV-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-12 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.

IV-F-12 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-12 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.

IV-H-12 Revenue Bonds – The City has not established and made the required transfers to a revenue bond sinking account and has not established the revenue bond reserve account as required by the water revenue bond resolution.

Recommendation – The City should establish water revenue bond sinking and reserve accounts and make the necessary transfers as required by the water revenue bond resolution.

City of West Union

Schedule of Findings & Questioned Costs

Year ended June 30, 2012

Response – Disbursement account line items have been developed for the payment of bonds. Appropriate reserve has been maintained.

Conclusion - Response accepted.

IV-I-12 Financial Condition – The Special Revenue, Employee Benefits and Debt Service Funds had deficit balances of \$15,833 and \$41,925, respectively, at June 30, 2012.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response – Appropriate transfers have been made to eliminate the deficit balances. All funds will be monitored to ensure no deficit balances are incurred in the future.

Conclusion – Response accepted.

City of West Union

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Kelly L. Hilton, Senior Auditor
William B. Corley, Assistant Auditor
Kaylynn D. Short, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State