

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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE \_\_\_\_\_ February 2, 2016 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$3,677,529 for the year ended June 30, 2015, a 14% decrease from the prior year. The receipts included \$1,076,109 in property tax and other city tax, \$113,102 from tax increment financing, \$1,147,079 from charges for service, \$473,642 from operating grants, contributions and restricted interest, \$580,993 from capital grants, contributions and restricted interest, \$206,343 from local option sales tax, \$7,506 from unrestricted interest on investments, \$62,601 from commercial/industrial tax replacement and \$10,154 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$3,078,273, a 26% decrease from the prior year, and included \$545,930 for culture and recreation, \$495,766 for public safety and \$463,122 for capital projects. Also, disbursements for business type activities totaled \$651,089.

The significant decrease in receipts and disbursements from the prior year is primarily due to a decrease in state and federal grant receipts and disbursements.

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/1520-0322-B00F.pdf>.

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

**JUNE 30, 2015**

## Table of Contents

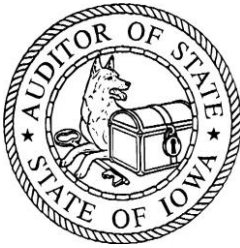
		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-29
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		32-33
Notes to Other Information – Budgetary Reporting		34
Schedule of the City’s Proportionate Share of the Net Pension Liability		35
Schedule of City Contributions		36-37
Notes to Other Information – Pension Liability		38-39
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	42-43
Schedule of Indebtedness	2	44-45
Bond Maturities	3	47
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	48-49
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		51-52
Schedule of Findings		53-56
Staff		57

**City of West Union**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kent Halverson	Mayor	Jan 2016
Cameron Granger	Council Member	Nov 2015
Cathy Bemiss	Council Member	Jan 2016
Kennon Gumm	Council Member	Jan 2016
Adam Keller	Council Member	Jan 2018
Isaiah Stansbery	Council Member	Jan 2018
Teresa Ruroden	City Clerk/Administrator	Indefinite
Amie Johansen	Deputy City Clerk	Indefinite
Jeremiah White	Attorney	Indefinite

**City of West Union**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2015, 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 Union as of June 30, 2015, 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 4 to the financial statements, the City of West Union adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

*Supplementary and Other Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Union's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2014 (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 five years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and cash disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, 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 7 through 12 and 32 through 39, 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 December 21, 2015 on our consideration of the City of West Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 in considering the City of West Union's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 21, 2015



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of West Union provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 17%, or approximately \$602,000, from fiscal year 2014 to fiscal year 2015. Operating grants, contributions and restricted interest decreased approximately \$60,000, capital grants, contributions and restricted interest decreased approximately \$607,000 and property and other City tax decreased approximately \$48,000. Capital grants, contributions and restricted interest decreased as a result of the completion of capital projects by the City and reduced state and federal receipts compared to fiscal year 2014.
- Disbursements of the City's governmental activities decreased 28.2%, or approximately \$952,000, in fiscal year 2015 from fiscal year 2014. Public safety disbursements increased approximately \$40,000 while culture and recreation, capital projects and debt service disbursements decreased approximately \$114,000, \$883,000 and \$28,000, respectively. Capital projects disbursements decreased as a result of fewer disbursements for the Iowa Green Streets Pilot project in fiscal year 2015 and completion of the geothermal project in fiscal year 2014.
- The City's total cash basis net position increased 26.8%, or approximately \$599,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$502,000 and the cash basis net position of the business type activities increased approximately \$97,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **BASIS OF ACCOUNTING**

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

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

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax 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.

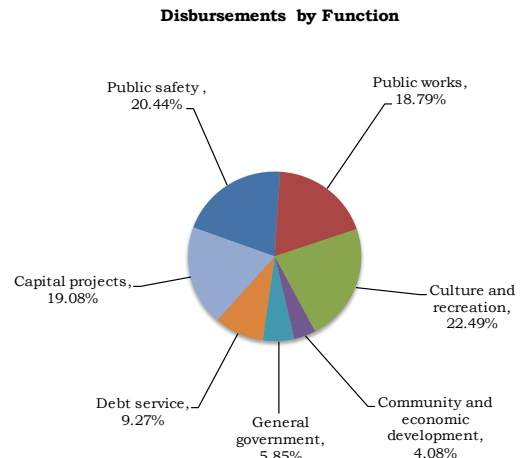
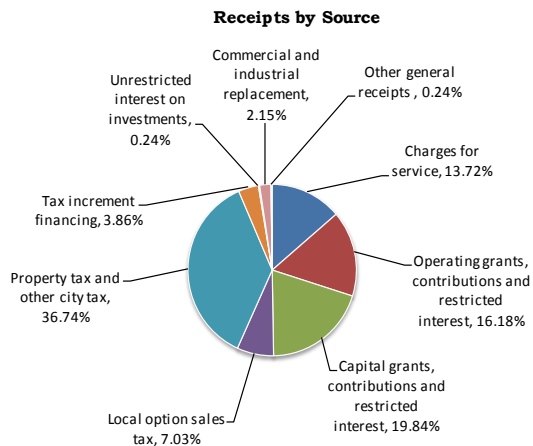
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased over a year ago, increasing from approximately \$1,662,000 to approximately \$2,164,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
<b>Receipts:</b>		
<b>Program receipts:</b>		
Charges for service	\$ 402	364
Operating grants, contributions and restricted interest	474	534
Capital grants, contributions and restricted interest	581	1,188
<b>General receipts:</b>		
Property tax and other city tax	1,076	1,124
Tax increment financing	113	115
Local option sales tax	206	187
Unrestricted interest on investments	7	7
Commercial/industrial tax replacement	63	-
Other general receipts	7	12
Total receipts	2,929	3,531
<b>Disbursements:</b>		
Public safety	496	456
Public works	456	434
Culture and recreation	546	660
Community and economic development	99	69
General government	142	161
Debt service	225	253
Capital projects	463	1,346
Total disbursements	2,427	3,379
Change in cash basis net position before transfers	502	152
Transfers, net	-	11
Change in cash basis net position	502	163
Cash basis net position beginning of year	1,662	1,499
Cash basis net position end of year	\$ 2,164	1,662



The City's total receipts for governmental activities decreased 17%, or approximately \$602,000. The total cost of all programs and services decreased approximately \$952,000, or 28.2%, with no new programs added this year. The decrease in receipts was primarily the result of fewer state and federal grants received. The decrease in disbursements was primarily due to fewer disbursements for the Iowa Green Streets Pilot project.

The cost of all governmental activities this year was approximately \$2.427 million compared to approximately \$3.379 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$971,000 because some of the cost was paid by those directly benefited from the programs (\$402,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,054,635). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2015 from approximately \$2,086,000 to approximately \$1,457,000. This was primarily due to reduced state and federal grants for the Iowa Green Streets Pilot project in fiscal year 2015.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 382	357
Sewer	363	362
General receipts:		
Other general receipts	3	3
Total receipts	<u>748</u>	<u>722</u>
Disbursements:		
Water	336	431
Sewer	315	334
Total disbursements	<u>651</u>	<u>765</u>
Change in cash basis net position before transfers	97	(43)
Transfers, net	-	(11)
Change in cash basis net position	97	(54)
Cash basis net position beginning of year	573	627
Cash basis net position end of year	<u>\$ 670</u>	<u>573</u>

Total business type activities receipts for the fiscal year were approximately \$748,000 compared to approximately \$722,000 last year. This increase was due primarily to an increase in water usage and an increase in the capital improvement fee for water in fiscal year 2015. The cash balance increased approximately \$97,000 from 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 \$2,164,000, an increase of approximately \$502,000 above last year's total of approximately \$1,662,000. 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 \$140,585 from the prior year balance of \$625,322. Total receipts increased approximately \$217,000 compared to the prior year. This was primarily the result of an increase in contributions of \$80,000 to be used as match money for an anticipated USDA Rural Business Enterprise Grant and an increase of approximately \$15,000 from license and permit receipts as a result of the City instituting a franchise fee on gas utilities. Special event receipts also increased significantly due to fundraising activities for playground equipment for Rotary Park during fiscal year 2015. Disbursements increased approximately \$41,000 over the prior year, primarily due to the purchase of capital equipment for the police and park departments.
- At the end of the fiscal year, the Special Revenue, Road Use Tax Fund cash balance was \$197,267, an increase of approximately \$18,000 over the previous year. Road use tax receipts remained fairly consistent and disbursements increased approximately \$14,000.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$5,404 to \$247,226. Receipts were approximately \$2,000 less than in the prior fiscal year and disbursements were approximately \$1,000 less than in fiscal year 2014.
- The Capital Projects Fund cash balance increased approximately \$263,000 over the prior year. Receipts decreased approximately \$832,000 and disbursements decreased approximately \$883,000 as projects were completed.

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

- The Enterprise, Water Fund cash balance increased \$45,855 to \$340,206, due primarily to less capital project activity in fiscal year 2015.
- The Enterprise, Sewer Fund cash balance increased \$51,157 to \$330,030, primarily due to less capital project activity in fiscal year 2015.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2015 and resulted in an increase in budgeted operating disbursements related to the unexpected purchase of a leaf mulcher and other equipment. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$464,147 more than budgeted. This was primarily due to the City receiving more in intergovernmental receipts than budgeted.

Total disbursements were \$188,967 less than the amended budget. Actual disbursements for the public safety, public works and business type activities functions were \$14,782, \$36,871 and \$181,335, respectively, less than the amended budget. However, even with the budget amendment, actual disbursements for the culture and recreation, community and economic development and capital projects functions were \$16,601, \$3,798 and \$30,721, respectively, more than the amended budget. This was due to unanticipated expenses occurring subsequent to the budget amendment.

## DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$3,068,000 of bonds and other long-term debt outstanding, compared to approximately \$3,342,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2015	2014
General obligation bonds	\$ 2,015	2,180
Revenue bonds	995	1,076
Lease purchase agreement	58	86
Total	\$ 3,068	3,342

Debt decreased as a result of regular debt service payments being made.

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 \$980,265, is \$3,053,636, which is well below the statutory debt limit of approximately \$5,941,000.

## 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 2016 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City at June 2015 was 4.3%. This compares with the State's unemployment rate of 3.7% and the national rate of 5.3% as of the same time period.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$3.7 million, a significant increase from the fiscal year 2015 budget. Proceeds from federal and state grants and charges for services are expected to lead this increase. Budgeted disbursements are expected to increase approximately \$205,000 from the fiscal year 2015 original budget. The City has added the Franklin Street Bridge and Airport projects to the fiscal year 2016 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$83,000 by the close of fiscal year 2016.

## 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 Teresa Ruroden, City Administrator, 612 Highway 150 South, City of West Union, Iowa 52175.

## **Basic Financial Statements**

City of West Union

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 495,766	72,802	39,063	-
Public works	455,923	136,148	271,374	-
Culture and recreation	545,930	192,869	163,205	-
Community and economic development	99,115	-	-	-
General government	142,686	-	-	-
Debt service	224,642	-	-	-
Capital projects	463,122	-	-	580,993
Total governmental activities	2,427,184	401,819	473,642	580,993
Business type activities:				
Water	336,447	382,258	-	-
Sewer	314,642	363,002	-	-
Total business type activities	651,089	745,260	-	-
Total	\$ 3,078,273	1,147,079	473,642	580,993

**General Receipts:**

Property and other city tax levied for:  
 General purposes  
 Debt service  
 Tax increment financing  
 Local option sales tax  
 Unrestricted interest on investments  
 Commercial/industrial tax replacement  
 Miscellaneous  
 Total general receipts  
 Change in cash basis net position  
 Cash basis net position beginning of year  
 Cash basis net position end of year

**Cash Basis Net Position**

Restricted:  
 Nonexpendable:  
 Cemetery  
 Expendable:  
 Urban renewal purposes  
 Streets  
 Capital projects  
 Debt service  
 Other purposes  
 Unrestricted

**Total cash basis net position**

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(383,901)	-	(383,901)
(48,401)	-	(48,401)
(189,856)	-	(189,856)
(99,115)	-	(99,115)
(142,686)	-	(142,686)
(224,642)	-	(224,642)
117,871	-	117,871
(970,730)	-	(970,730)
-	45,811	45,811
-	48,360	48,360
-	94,171	94,171
(970,730)	94,171	(876,559)
907,821	-	907,821
168,288	-	168,288
113,102	-	113,102
206,343	-	206,343
7,462	44	7,506
62,601	-	62,601
7,357	2,797	10,154
1,472,974	2,841	1,475,815
502,244	97,012	599,256
1,661,758	573,224	2,234,982
\$ 2,164,002	670,236	2,834,238
\$ 94,272	-	94,272
247,226	-	247,226
197,267	-	197,267
637,199	458,217	1,095,416
28,857	114,476	143,333
381,154	9,250	390,404
578,027	88,293	666,320
\$ 2,164,002	670,236	2,834,238

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, 2015

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 631,494	-	-
Tax increment financing	-	-	113,102
Other city tax	39,179	-	-
Local option sales tax	-	-	-
Licenses and permits	52,922	-	-
Use of money and property	18,262	-	-
Intergovernmental	71,646	258,500	-
Charges for service	230,300	-	-
Miscellaneous	260,390	-	-
Total receipts	1,304,193	258,500	113,102
Disbursements:			
Operating:			
Public safety	379,052	-	-
Public works	180,530	240,705	-
Culture and recreation	449,228	-	-
Community and economic development	55,609	-	43,506
General government	113,206	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,177,625	240,705	43,506
Excess of receipts over disbursements	126,568	17,795	69,596
Other financing sources (uses):			
Transfers in	15,952	-	-
Transfers out	(1,935)	-	(75,000)
Total other financing sources (uses)	14,017	-	(75,000)
Change in cash balances	140,585	17,795	(5,404)
Cash balances beginning of year	625,322	179,472	252,630
Cash balances end of year	\$ 765,907	197,267	247,226
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	247,226
Streets	-	197,267	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	187,880	-	-
Assigned for:			
Library	93,247	-	-
Park	62,284	-	-
Cemetery	19,773	-	-
Unassigned	402,723	-	-
Total cash basis fund balances	\$ 765,907	197,267	247,226

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	405,436	1,036,930
-	-	113,102
-	-	39,179
-	206,343	206,343
-	-	52,922
-	905	19,167
580,993	24,347	935,486
-	500	230,800
-	35,109	295,499
580,993	672,640	2,929,428
-	116,714	495,766
-	34,688	455,923
-	96,702	545,930
-	-	99,115
-	29,480	142,686
-	224,642	224,642
463,122	-	463,122
463,122	502,226	2,427,184
117,871	170,414	502,244
145,505	75,000	236,457
-	(159,522)	(236,457)
145,505	(84,522)	-
263,376	85,892	502,244
373,823	230,511	1,661,758
637,199	316,403	2,164,002
-	94,272	94,272
-	-	247,226
-	-	197,267
637,199	-	637,199
-	28,857	28,857
-	193,274	381,154
-	-	93,247
-	-	62,284
-	-	19,773
-	-	402,723
637,199	316,403	2,164,002

**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, 2015

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 377,329	363,002	740,331
Miscellaneous	4,929	-	4,929
Total operating receipts	382,258	363,002	745,260
Operating disbursements:			
Business type activities	239,270	292,582	531,852
Excess of operating receipts over operating disbursements	142,988	70,420	213,408
Non-operating receipts (disbursements):			
Interest on investments	44	-	44
Miscellaneous	-	2,797	2,797
Debt service	(89,225)	-	(89,225)
Capital projects	(7,952)	(22,060)	(30,012)
Net non-operating receipts (disbursements)	(97,133)	(19,263)	(116,396)
Change in cash balances	45,855	51,157	97,012
Cash balances beginning of year	294,351	278,873	573,224
Cash balances end of year	\$ 340,206	330,030	670,236
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Capital projects	\$ 216,480	241,737	458,217
Debt service	114,476	-	114,476
Meter deposits	9,250	-	9,250
Unrestricted	-	88,293	88,293
Total cash basis fund balances	\$ 340,206	330,030	670,236

See notes to financial statements.

City of West Union

Notes to Financial Statements

June 30, 2015

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

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

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. \$413,011 is restricted by enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The 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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

#### D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.



E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development and capital projects functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 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. 3, as amended by Statement No. 40.

**(3) Bonds and Lease Payable**

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

Year Ending June 30,	General Obligation Bonds		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	180,000	49,942	50,000	39,075	230,000	89,017
2019	190,000	45,803	50,000	37,450	240,000	83,253
2020	195,000	41,052	50,000	35,825	245,000	76,877
2021-2025	1,105,000	112,650	295,000	150,050	1,400,000	262,700
2026-2030	-	-	370,000	79,787	370,000	79,787
2031	-	-	85,000	4,463	85,000	4,463
Total	\$ 2,015,000	359,392	995,000	429,512	3,010,000	788,904

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 were payable solely from local option sales tax receipts through 2015. According to the local option sales tax ballot, 80% of monthly local option sales tax receipts were to be used to pay the principal and interest due on the bonds. During the current year, the City made principal and interest payments of \$36,315 and \$239, respectively, retiring the remaining outstanding principal balance of the bonds.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,175,000 of water revenue bonds issued in August 2011. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 62% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,424,512. For the current year, principal and interest paid and total customer net receipts were \$88,625 and \$142,988, respectively.

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

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

Lease Purchase Agreement

On April 22, 2013, the City entered into a lease purchase agreement to lease three vehicles for the police fleet with a cost of \$113,499 and an interest rate of 2.88% per annum. Annual debt service requirements to maturity under the lease purchase agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 28,768	1,476	30,244
2017	29,603	641	30,244
Total	\$ 58,371	2,117	60,488

**(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 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 - Effective July 1, 2012, as a result of a 2010 law change, the 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%. 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 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.76% of pay and the City contributed 10.14% for a total rate of 16.80%.

The City's contributions to IPERS for the year ended June 30, 2015 totaled \$62,984.

Collective Net Pension Liability, Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$259,271. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective 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, 2014, the City's proportion was 0.006538%, which was a decrease of 0.001099% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$26,849, \$16,720 and \$164,019, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 621,542	\$ 259,271	\$ (46,389)

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. There are 16 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 \$432 for single coverage and \$1,080 for family coverage for medical/prescription drug benefits. Currently, 12 employees pay \$103 per month for family coverage health benefits while the other four do not pay a monthly amount for coverage. For the year ended June 30, 2015, the City contributed \$147,450 and plan members eligible for benefits contributed \$14,431 to the plan.

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

The City provides for a fully insured health benefit through Wellmark Blue Cross and Blue Shield of Iowa with a plan deductible of \$1,500 for single coverage and \$3,000 for family coverage. The employee is responsible for the first \$200 of the deductible for each eligible person, up to \$400 per family. The City subsidizes 60% of the remaining deductible.

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

The City pays employees for the eligible claims from the Special Revenue, Employee Benefits and the Enterprise, Water and Sewer Funds. During the year ended June 30, 2015, the City paid \$19,301 to employees for claims.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and floating holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and floating holiday hours payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 48,000
Floating holidays	<u>6,000</u>
Total	<u>\$ 54,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	<u>\$ 15,952</u>
Capital Projects	General	1,935
	Special Revenue:	
	Local Option Sales Tax	<u>143,570</u>
		<u>145,505</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>75,000</u>
Total		<u>\$ 236,457</u>

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

**(9) 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.

**(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 15 years beginning with the tax year in which the property tax on the completed value of the improvements are first paid. Certain agreements also require the company to certify specific employment requirements have been met. The total to be paid by the City under the agreements is not to exceed \$1,202,788. During the year ended June 30, 2015, the City rebated \$36,723 of incremental property tax to the participating companies.

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

One of the agreements is subject to an annual appropriation and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining 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) Subsequent Events**

In July 2015, the City approved a contract for \$214,273 for an airport project. In December 2015, the City approved a contract for \$246,266 for the Franklin Street project.

**City of West Union**



## **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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,036,930	-	-
Tax increment financing	113,102	-	-
Other city tax	39,179	-	-
Local option sales tax	206,343	-	-
Licenses and permits	52,922	-	-
Use of money and property	19,167	44	31
Intergovernmental	935,486	-	-
Charges for service	230,800	740,331	-
Miscellaneous	295,499	7,726	34,032
Total receipts	2,929,428	748,101	34,063
<b>Disbursements:</b>			
Public safety	495,766	-	28,190
Public works	455,923	-	-
Culture and recreation	545,930	-	-
Community and economic development	99,115	-	-
General government	142,686	-	-
Debt service	224,642	-	-
Capital projects	463,122	-	-
Business type activities	-	651,089	-
Total disbursements	2,427,184	651,089	28,190
Excess (deficiency) of receipts over (under) disbursements	502,244	97,012	5,873
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	502,244	97,012	5,873
Balances beginning of year	1,661,758	573,224	37,193
Balances end of year	\$ 2,164,002	670,236	43,066

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,036,930	1,031,975	1,031,975	4,955
113,102	113,452	113,452	(350)
39,179	243,449	277,449	(238,270)
206,343	-	-	206,343
52,922	48,400	48,400	4,522
19,180	14,300	14,300	4,880
935,486	590,082	614,863	320,623
971,131	977,772	991,730	(20,599)
269,193	87,150	87,150	182,043
3,643,466	3,106,580	3,179,319	464,147
467,576	476,658	482,358	14,782
455,923	730,014	492,794	36,871
545,930	506,644	529,329	(16,601)
99,115	95,317	95,317	(3,798)
142,686	143,601	149,784	7,098
224,642	224,643	224,643	1
463,122	162,511	432,401	(30,721)
651,089	832,424	832,424	181,335
3,050,083	3,171,812	3,239,050	188,967
593,383	(65,232)	(59,731)	653,114
-	200	200	(200)
593,383	(65,032)	(59,531)	652,914
2,197,789	1,838,002	1,838,002	359,787
2,791,172	1,772,970	1,778,471	1,012,701

City of West Union

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 \$67,238. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceed the amounts budgeted in the culture and recreation, community and economic development and capital projects functions.

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

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.006538%
City's proportionate share of the net pension liability	\$ 259
City's covered-employee payroll	\$ 678
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.20%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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City of West Union  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 63	63	59	53	45
Contributions in relation to the statutorily required contribution	<u>(63)</u>	<u>(63)</u>	<u>(59)</u>	<u>(53)</u>	<u>(45)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Citty's covered-employee payroll	\$ 681	678	655	620	589
Contributions as a percentage of covered-employee payroll	9.25%	9.29%	9.01%	8.55%	7.64%

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

See accompanying independent auditor's report.

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<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
46	40	36	36	34
<u>(46)</u>	<u>(40)</u>	<u>(36)</u>	<u>(36)</u>	<u>(34)</u>
-	-	-	-	-
*	*	*	*	*
*	*	*	*	*

City of West Union

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current 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.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL 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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.



The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

**City of West Union**

**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, 2015

	Special Revenue		
	Employee Benefits	Local Option Sales Tax	West Union Volunteer Firefighters Incorporated
Receipts:			
Property tax	\$ 237,148	-	-
Local option sales tax	-	206,343	-
Use of money and property	-	-	31
Intergovernmental	14,342	-	-
Charges for service	-	-	-
Miscellaneous	1,077	-	34,032
Total receipts	252,567	206,343	34,063
Disbursements:			
Operating:			
Public safety	88,524	-	28,190
Public works	34,688	-	-
Culture and recreation	60,140	36,554	-
General government	29,480	-	-
Debt service	-	-	-
Total disbursements	212,832	36,554	28,190
Excess (deficiency) of receipts over (under) disbursements	39,735	169,789	5,873
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(159,522)	-
Total other financing sources (uses)	-	(159,522)	-
Change in cash balances	39,735	10,267	5,873
Cash balances beginning of year	69,988	30,218	37,193
Cash balances end of year	\$ 109,723	40,485	43,066
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery	\$ -	-	-
Restricted for:			
Debt service	-	-	-
Other purposes	109,723	40,485	43,066
Total cash basis fund balances	\$ 109,723	40,485	43,066

See accompanying independent auditor's report.

Debt Service	Permanent		Total
	Cemetery Perpetual Care	Cemetery Mausoleum	
168,288	-	-	405,436
-	-	-	206,343
-	874	-	905
10,005	-	-	24,347
-	500	-	500
-	-	-	35,109
178,293	1,374	-	672,640
-	-	-	116,714
-	-	-	34,688
-	-	8	96,702
-	-	-	29,480
224,642	-	-	224,642
224,642	-	8	502,226
(46,349)	1,374	(8)	170,414
75,000	-	-	75,000
-	-	-	(159,522)
75,000	-	-	(84,522)
28,651	1,374	(8)	85,892
206	82,387	10,519	230,511
28,857	83,761	10,511	316,403
-	83,761	10,511	94,272
28,857	-	-	28,857
-	-	-	193,274
28,857	83,761	10,511	316,403

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City of West Union  
Schedule of Indebtedness  
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Nov 3, 2010	0.75-3.50%	\$ 2,665,000
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			
Lease purchase agreement:			
Police vehicles	Apr 22, 2013	2.88%	\$ 113,499

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,180,000	-	165,000	2,015,000	59,142
36,315	-	36,315	-	239
1,040,000	-	45,000	995,000	43,625
\$ 1,076,315	-	81,315	995,000	43,864
86,329	-	27,958	58,371	2,286

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**City of West Union**



## City of West Union

## Bond Maturities

June 30, 2015

Year Ending June 30,	General Obligation Bonds		Water	
	Corporate Purpose, Series 2010		Revenue Bonds	
	Issued Nov 3, 2010		Issued Aug 16, 2011	
	Interest		Interest	
	Rates	Amount	Rates	Amount
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>\$ 2,015,000</u>		<u>\$ 995,000</u>

See accompanying independent auditor's report.

City of West Union

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

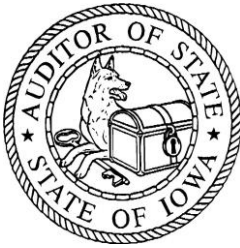
For the Last Ten Years

	2015	2014	2013	2012	2011
Receipts:					
Property tax	\$ 1,036,930	1,089,462	1,108,806	1,062,966	733,575
Tax increment financing	113,102	115,370	86,403	161,930	212,149
Other city tax	245,522	220,597	214,583	223,283	220,684
Licenses and permits	52,922	37,761	6,726	6,879	8,360
Use of money and property	19,167	18,404	23,112	23,953	19,496
Intergovernmental	935,486	1,700,053	3,203,699	3,222,738	476,870
Charges for service	230,800	228,464	212,999	245,055	212,746
Miscellaneous	295,499	120,294	132,805	192,662	110,978
Total	<u>\$ 2,929,428</u>	<u>3,530,405</u>	<u>4,989,133</u>	<u>5,139,466</u>	<u>1,994,858</u>
Disbursements:					
Operating:					
Public safety	\$ 495,766	455,640	415,650	355,167	331,157
Public works	455,923	434,144	448,580	623,289	457,949
Health and social services	-	-	-	-	-
Culture and recreation	545,930	659,739	568,297	562,778	358,602
Community and economic development	99,115	68,694	162,853	143,280	308,356
General government	142,686	161,434	146,692	141,128	109,730
Debt service	224,642	253,329	250,089	251,515	64,236
Capital projects	463,122	1,345,797	3,426,349	2,895,476	2,071,268
Total	<u>\$ 2,427,184</u>	<u>3,378,777</u>	<u>5,418,510</u>	<u>4,972,633</u>	<u>3,701,298</u>

See accompanying independent auditor's report.

2010	2009	2008	2007	2006
749,031	689,561	715,513	681,350	659,001
108,250	100,928	74,853	64,304	47,681
184,786	210,615	200,105	211,504	168,635
6,255	7,565	6,515	6,319	8,191
23,960	32,328	40,890	39,305	31,790
250,641	316,183	674,719	225,086	224,156
201,360	222,188	205,464	189,212	193,760
425,427	55,917	44,990	151,144	81,265
1,949,710	1,635,285	1,963,049	1,568,224	1,414,479
369,303	627,563	334,739	291,880	311,015
513,331	577,220	836,787	500,268	415,784
396	351	360	334	316
524,056	465,741	424,953	426,178	390,888
107,027	81,080	60,232	59,299	313,880
120,497	110,379	119,533	103,449	117,047
26,602	-	1,053	26,115	69,244
423,717	80,839	62,900	130,425	164,549
2,084,929	1,943,173	1,840,557	1,537,948	1,782,723

**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**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2015. 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 Union's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Union's internal control.

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

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


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

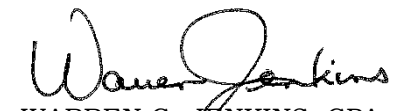
The City of West Union's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of West Union's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion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

#### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 21, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) 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 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 – preparing, reviewing and approving.
- 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 Administrator reviews all disbursements as the checks are signed. Petty cash has a spreadsheet used by the Deputy City Clerk and the Administrator by which cash in and out is verified by the other employee. All others are covered by system generated reports which are seen by both employees.

Conclusion – Response accepted.

(B) Journal Entries – Journal entries were not reviewed and approved by an independent person.

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

Response – Most journal entries are for NSF checks or corrections in the system, which are done with staff from Data Tech assisting for correcting entries. All other journal entries are discussed between the Administrator and Deputy Clerk. Then they are entered in the system with assistance from Data Tech.

Conclusion – Response accepted.

City of West Union

Schedule of Findings

Year ended June 30, 2015

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

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 Fire Department has established an investigating committee which consists of the Assistant Chief, 2<sup>nd</sup> Assistant and the Captain to meet monthly to examine the books and accounts of the Secretary/Treasurer and report the state of the same in writing at the annual meeting. The Fire Department has established a 501C which is where donations and fundraising money is kept. Cash from fundraising activities is counted by a group which does not include the Secretary/Treasurer.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of West Union

Schedule of Findings

Year ended June 30, 2015

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the capital projects function prior to the budget amendment. At the end of the year, disbursements in the culture and recreation, community and economic development and capital projects functions exceeded the amended budget. 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 Administrator did not anticipate expenses which came in after the budget amendment was approved. The Administrator will consult with Department Heads in order to have an accurate accounting of expenses to budget when amending.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Cameron Granger, City Council member, wife is owner of Signs by Design	City street signs	\$ 613

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, these transactions do not represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of West Union

Schedule of Findings

Year ended June 30, 2015

- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management before December 1. However, the following exceptions were noted on the Levy Authority Summary:
- The amount reported by the City as TIF debt outstanding was understated by \$113,380.
  - The amount reported by the City as TIF debt outstanding did not include the 2010 general obligation streetscape bond previously certified as TIF indebtedness.
  - The City did not include a \$121,748 rebate for Baumler Implement in the report.

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

Response – The Administrator will cross-check amounts reported on the Levy Authority Summary with the City records.


Conclusion – Response accepted.

City of West Union

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Katherine L. Rupp, CPA, Senior Auditor II  
Ashley J. Moser, Senior Auditor  
Megan E. Irvin, Staff Auditor  
Lucas P. Mullen, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State