

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

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**NEWS RELEASE**

FOR RELEASE

March 28, 2018

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 \$3,985,714 for the year ended June 30, 2017, a 21% increase over the prior year. The receipts included \$1,083,857 from property and other city tax, \$51,946 from tax increment financing, \$1,128,789 from charges for service, \$505,197 from operating grants, contributions and restricted interest, \$280,003 from capital grants, contributions and restricted interest, \$204,092 from local option sales tax, \$4,311 from unrestricted interest on investments, \$560,000 from bond proceeds, \$132,371 from commercial/industrial tax replacement and \$35,148 from other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$3,898,599, a 16% increase over the prior year, and included \$690,731 for capital projects, \$534,737 for public works and \$529,181 for public safety. Also, disbursements for business type activities totaled \$1,282,790.

The significant increase in receipts and disbursements is primarily due to bond proceeds received in the current year for fire equipment, parking lot and sidewalk repairs at City Hall and the purchase of land for expansion of the City's sewer system.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1720-0322-B00F>.

# # #



**CITY OF WEST UNION**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2017**

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**City of West Union**

**Officials**

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

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Mary Mosiman, CPA  
Auditor of State

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, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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

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

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

### *Qualified Opinion*

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, the financial position of the aggregate remaining fund information of the City of West Union as of June 30, 2017, and the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities and each major fund of the City of West Union as of June 30, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

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

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West 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 six years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and cash disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of not including the financial data of the Friends of the Library of West Union as described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph on the preceding page, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 36 through 42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2018 on our consideration of the City of West Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Union's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

March 14, 2018

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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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 17.4%, or approximately \$442,000, from fiscal year 2016 to fiscal year 2017. Capital grants, contributions and restricted interest increased approximately \$149,000 while operating grants, contributions and restricted interest decreased approximately \$92,000. Bond proceeds increased \$377,000 due to the issuance of general obligation bonds in fiscal year 2017.
- Disbursements of the City's governmental activities decreased 1.6%, or approximately \$41,000, in fiscal year 2017 from fiscal year 2016. Public safety and community and economic development disbursements decreased approximately \$82,000 and \$195,000, respectively, while public works and capital projects disbursements increased approximately \$93,000 and \$172,000, respectively.
- The City's total cash basis net position increased 3.1%, or approximately \$87,000, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities decreased approximately \$56,000 and the cash basis net position of the business type activities increased approximately \$143,000.

### 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.

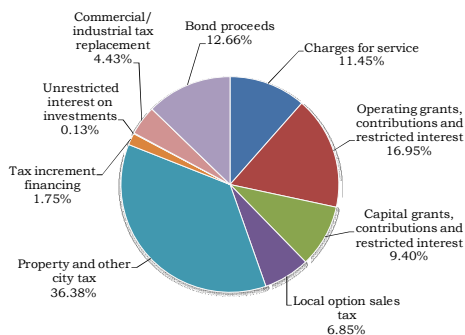
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

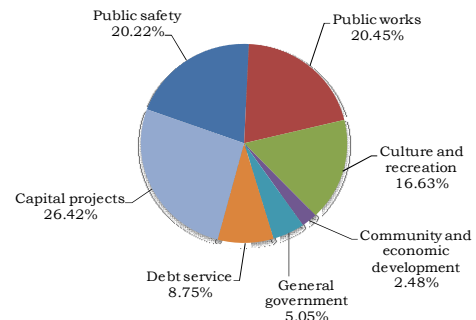
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2,044,000 to approximately \$1,988,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 341	354
Operating grants, contributions and restricted interest	505	597
Capital grants, contributions and restricted interest	280	131
General receipts:		
Property and other city tax	1,084	1,068
Tax increment financing	52	63
Local option sales tax	204	190
Unrestricted interest on investments	4	6
Bond proceeds	377	-
Commercial/industrial tax replacement	132	126
Other general receipts	-	2
Total receipts	<u>2,979</u>	<u>2,537</u>
Disbursements:		
Public safety	529	611
Public works	535	442
Culture and recreation	435	449
Community and economic development	65	260
General government	132	150
Debt service	229	227
Capital projects	691	518
Total disbursements	<u>2,616</u>	<u>2,657</u>
Change in cash basis net position before transfers	363	(120)
Transfers, net	<u>(419)</u>	<u>-</u>
Change in cash basis net position	(56)	(120)
Cash basis net position beginning of year	<u>2,044</u>	<u>2,164</u>
Cash basis net position end of year	<u>\$ 1,988</u>	<u>2,044</u>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 17.4%, or approximately \$441,000. The total cost of all programs and services decreased approximately \$42,000, or 1.6%, with no new programs added this year. The increase in receipts was primarily the result of a general obligation bond issuance providing \$377,000 of bond proceeds for financing equipment for the fire department and making repairs and improvements to the parking lot and sidewalks at City Hall. In addition, capital grants, contributions and restricted interest increased as a result of reimbursements received from the Iowa Department of Transportation for work performed on the Franklin Street Bridge Project.

The cost of all governmental activities this year was approximately \$2.615 million compared to approximately \$2.657 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$1,490,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$340,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$785,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2017 from approximately \$1,082,000 to approximately \$1,125,000. This was primarily due to the capital grant reimbursements from the Iowa Department of Transportation and a receipt of approximately \$32,000 from FEMA due to a disaster.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 387	391
Sewer	399	375
General receipts:		
Bond proceeds	183	-
Other general receipts	38	3
Total receipts	1,007	769
Disbursements:		
Water	770	348
Sewer	513	367
Total disbursements	1,283	715
Change in cash basis net position before transfers	(276)	54
Transfers, net	419	-
Change in cash basis net position	143	54
Cash basis net position beginning of year	724	670
Cash basis net position end of year	\$ 867	724

Total business type activities receipts for the fiscal year were approximately \$1,007,000 compared to approximately \$769,000 last year. Total disbursements increased to approximately \$1,283,000 from approximately \$715,000 in the prior year. The increase in receipts and disbursements was primarily due to \$183,000 of bond proceeds for financing the acquisition of land for expansion of the City sewer system. The City also completed various utility projects including new paint for the water tower totaling approximately \$420,000. The cash balance increased approximately \$143,000 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 \$1,988,000, a decrease of approximately \$56,000 below last year's total of approximately \$2,044,000. 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 \$145,671 over the prior year balance of \$722,605. Total receipts decreased approximately \$12,000 compared to the prior year. Disbursements decreased approximately \$179,000 from the prior year, primarily due to no additional loans disbursed to businesses from the revolving loan account during fiscal year 2017.
- At the end of the fiscal year, the Special Revenue, Road Use Tax Fund cash balance was \$322,316, an increase of approximately \$34,000 over the previous year. Road use tax receipts increased approximately \$1,000 while disbursements increased approximately \$58,000 over the prior year, primarily due to the purchase of a pickup truck and additional street resurfacing projects.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$49,364 to \$201,286. Receipts were approximately \$12,000 less than the prior year and disbursements were approximately \$34,000 less than the prior fiscal year due to a decrease in required disbursements to developers.
- The Capital Projects Fund cash balance decreased approximately \$283,000 from the prior year. Total receipts increased approximately \$149,000 compared to the prior year, primarily due to an increase in grant reimbursements for the Franklin Street Bridge project. Disbursements increased approximately \$173,000 over the prior year. The increase in disbursements is the net effect of a reduction in disbursements for the Airport and Franklin Street Bridge projects and an increase in disbursements for a down payment on a new fire truck and the E. Plum Street project.

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

- The Enterprise, Water Fund cash balance increased \$56,997 to \$440,082 primarily due to less disbursements for wages as a result of a retirement and an additional contribution from Continental Western.
- The Enterprise, Sewer Fund cash balance increased \$85,837 to \$426,366 primarily due to the receipt of bond proceeds to be used for the expansion of the City sewer system.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 15, 2017 and resulted in an increase in budgeted disbursements to provide for additional capital projects disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$75,192 more than budgeted. This was primarily due to the City receiving more in intergovernmental receipts than budgeted.

Total disbursements were \$216,830 less than the amended budget. Actual disbursements for the community and economic development, capital projects and public safety functions were \$100,794, \$38,426 and \$27,039, respectively, less than the amended budget. However, disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the capital projects and business type activities functions prior to the budget amendment.

## DEBT ADMINISTRATION

At June 30, 2017, the City had approximately \$3,130,000 of bonds and other long-term debt outstanding, compared to approximately \$2,825,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2017	2016
General obligation bonds	\$ 2,230	1,845
Revenue bonds	900	950
Lease purchase agreement	-	30
Total	\$ 3,130	2,825

Debt increased as a result of a \$560,000 issuance of general obligation bonds in April 2017, offset by regularly scheduled debt service payments.

The City continues to carry a general obligation bond rating of A3 assigned by Moody's Investors Service. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt, including TIF rebate agreements of \$1,055,830, is \$3,285,830, which is well below the statutory debt limit of approximately \$6,162,000.

## 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 2018 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Fayette County at June 2017 was 3.5% versus 4.5% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 4.4% as of the same time period.

These indicators were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are approximately \$4.3 million, an increase from the fiscal year 2017 budget. Budgeted disbursements are expected to increase approximately \$967,000 from the original fiscal year 2017 budget. Public safety and public works disbursements are expected to increase \$365,384 and \$363,267, respectively, from the original fiscal year 2017 budget. The increase in budgeted public safety disbursements is primarily due to the purchase of a fire truck. The increase in budgeted public works disbursements is primarily due to planned improvements to the airport apron and an airport fuel farm.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$14,000 by the close of fiscal year 2018.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**City of West Union**



## **Basic Financial Statements**

City of West Union

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

		Program Receipts		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements	Service		
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 529,181	94,899	78,524	-
Public works	534,737	139,930	313,556	-
Culture and recreation	434,841	105,571	84,288	-
Community and economic development	65,254	-	28,829	-
General government	132,122	-	-	-
Debt service	228,943	-	-	-
Capital projects	690,731	-	-	280,003
Total governmental activities	2,615,809	340,400	505,197	280,003
Business type activities:				
Water	770,080	389,387	-	-
Sewer	512,710	399,002	-	-
Total business type activities	1,282,790	788,389	-	-
Total	\$ 3,898,599	1,128,789	505,197	280,003
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Commercial/industrial tax replacement				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Cemetery				
Expendable:				
Urban renewal purposes				
Streets				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(355,758)	-	(355,758)
(81,251)	-	(81,251)
(244,982)	-	(244,982)
(36,425)	-	(36,425)
(132,122)	-	(132,122)
(228,943)	-	(228,943)
(410,728)	-	(410,728)
(1,490,209)	-	(1,490,209)
-	(380,693)	(380,693)
-	(113,708)	(113,708)
-	(494,401)	(494,401)
(1,490,209)	(494,401)	(1,984,610)
902,814	-	902,814
181,043	-	181,043
51,946	-	51,946
204,092	-	204,092
4,131	180	4,311
377,093	182,907	560,000
132,371	-	132,371
-	35,148	35,148
(419,000)	419,000	-
1,434,490	637,235	2,071,725
(55,719)	142,834	87,115
2,043,570	723,614	2,767,184
\$ 1,987,851	866,448	2,854,299
\$ 96,185	-	96,185
201,286	-	201,286
322,316	-	322,316
142,816	566,172	708,988
47,397	114,621	162,018
389,867	10,118	399,985
787,984	175,537	963,521
\$ 1,987,851	866,448	2,854,299

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, 2017

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 650,526	-	-
Tax increment financing	-	-	51,946
Other city tax	31,602	-	-
Local option sales tax	-	-	-
Licenses and permits	47,052	-	-
Use of money and property	20,134	-	-
Intergovernmental	147,781	308,621	7,668
Charges for service	249,878	-	-
Miscellaneous	85,048	-	-
Total receipts	1,232,021	308,621	59,614
Disbursements:			
Operating:			
Public safety	385,047	-	-
Public works	224,777	274,250	-
Culture and recreation	342,893	-	-
Community and economic development	31,122	-	33,978
General government	102,314	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,086,153	274,250	33,978
Excess (deficiency) of receipts over (under) disbursements	145,868	34,371	25,636
Other financing sources (uses):			
Bond proceeds	-	-	-
Transfers in	18,803	-	-
Transfers out	(19,000)	-	(75,000)
Total other financing sources (uses)	(197)	-	(75,000)
Change in cash balances	145,671	34,371	(49,364)
Cash balances beginning of year	722,605	287,945	250,650
Cash balances end of year	\$ 868,276	322,316	201,286
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	201,286
Streets	-	322,316	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	80,292	-	-
Assigned for:			
Library	46,770	-	-
Park	3,402	-	-
Cemetery	20,717	-	-
Unassigned	717,095	-	-
Total cash basis fund balances	\$ 868,276	322,316	201,286

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	400,909	1,051,435
-	-	51,946
-	820	32,422
-	204,092	204,092
-	-	47,052
-	625	20,759
280,003	60,006	804,079
-	300	250,178
-	54,986	140,034
280,003	721,738	2,601,997
-	144,134	529,181
-	35,710	534,737
-	91,948	434,841
-	154	65,254
-	29,808	132,122
-	228,943	228,943
690,731	-	690,731
690,731	530,697	2,615,809
(410,728)	191,041	(13,812)
377,093	-	377,093
169,231	94,000	282,034
(419,000)	(188,034)	(701,034)
127,324	(94,034)	(41,907)
(283,404)	97,007	(55,719)
426,220	356,150	2,043,570
142,816	453,157	1,987,851
-	96,185	96,185
-	-	201,286
-	-	322,316
142,816	-	142,816
-	47,397	47,397
-	309,575	389,867
-	-	46,770
-	-	3,402
-	-	20,717
-	-	717,095
142,816	453,157	1,987,851

**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, 2017

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 386,537	399,002	785,539
Miscellaneous	21,360	16,638	37,998
Total operating receipts	407,897	415,640	823,537
Operating disbursements:			
Business type activities	240,250	246,769	487,019
Excess of operating receipts over operating disbursements	167,647	168,871	336,518
Non-operating receipts (disbursements):			
Interest on investments	180	-	180
Bond proceeds	-	182,907	182,907
Debt service	(91,300)	-	(91,300)
Capital projects	(438,530)	(265,941)	(704,471)
Net non-operating receipts (disbursements)	(529,650)	(83,034)	(612,684)
Excess (deficiency) of receipts over (under) disbursements	(362,003)	85,837	(276,166)
Transfers in	419,000	-	419,000
Change in cash balances	56,997	85,837	142,834
Cash balances beginning of year	383,085	340,529	723,614
Cash balances end of year	\$ 440,082	426,366	866,448
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Capital projects	\$ 315,343	250,829	566,172
Debt service	114,621	-	114,621
Meter deposits	10,118	-	10,118
Unrestricted	-	175,537	175,537
Total cash basis fund balances	\$ 440,082	426,366	866,448

See notes to financial statements.

**City of West Union**



City of West Union

Notes to Financial Statements

June 30, 2017

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

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

**A. Reporting Entity**

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

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

**Blended Component Units**

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

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

**Excluded Component Unit**

The Friends of the Library of West Union, Iowa was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The Friends of the Library of West Union's Board of Directors consist of five members.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County Assessor's Conference Board, Fayette County Solid Waste Management Commission, Fayette County Emergency Management Commission, Fayette County Joint 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. \$539,134 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, 2017, disbursements exceeded the amounts budgeted in the capital projects and business type activities functions prior to the budget amendment.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**(3) Bonds 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
2018	\$ 295,000	56,611	50,000	39,075	345,000	95,686
2019	305,000	50,199	50,000	37,450	355,000	87,649
2020	270,000	44,586	50,000	35,825	320,000	80,411
2021	240,000	38,586	55,000	34,200	295,000	72,786
2022	245,000	32,104	55,000	32,412	300,000	64,516
2023-2027	875,000	80,119	320,000	125,488	1,195,000	205,607
2028-2031	-	-	320,000	42,200	320,000	42,200
Total	\$ 2,230,000	302,205	900,000	346,650	3,130,000	648,855

## Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,175,000 of water revenue bonds issued in August 2011. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 55% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,246,650. For the current year, principal and interest paid and total customer net receipts were \$90,700 and \$167,647, 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.

## **(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 PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

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

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

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

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

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$61,518.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$421,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.006702%, which was a decrease of 0.000083% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$64,636, \$167,728 and \$81,184, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of inflation	
(effective June 30, 2014)	3.00% per annum.
Rates of salary increase	4.00 to 17.00%, average, including inflation.
(effective June 30, 2010)	Rates vary by membership group.
Long-term investment rate of return	7.50%, compounded annually, net of investment
(effective June 30, 1996)	expense, including inflation.
Wage growth	4.00% per annum, based on 3.00% inflation
(effective June 30, 1990)	and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 676,372	421,804	122,665

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 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 \$455 for single coverage and \$1,137 for family coverage for medical/prescription drug benefits. Currently, eight employees pay \$119 per month for family coverage health benefits while the other seven do not pay a monthly amount for coverage. For the year ended June 30, 2017, the City contributed \$144,636 and plan members eligible for benefits contributed \$11,608 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, 2017, the City paid \$11,569 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, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 45,000
Floating holidays	<u>7,000</u>
Total	<u>\$ 52,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

**(8) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 18,803
Special Revenue: Employee Benefits	General	19,000
Debt Service	Special Revenue: Urban Renewal Tax Increment	75,000
Capital Projects	Special Revenue: Local Option Sales Tax	169,231
Enterprise: Water	Capital Projects	<u>419,000</u>
Total		<u>\$ 701,034</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 eleven 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 \$1,270,383. During the year ended June 30, 2017, the City rebated \$25,665 of incremental property tax to the participating companies. The total cumulative amount rebated since inception of the agreements is \$228,294. The estimated outstanding principal balance of the rebate agreements at June 30, 2017 is approximately \$1,042,000.

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

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

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

### City Tax Abatements

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

For the year ended June 30, 2017, the City abated \$10,081 of property tax under the urban renewal and economic development projects.

## **(12) City of West Union Revolving Loan Account**

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

Upon receipt of loan payments from the businesses, the funds remain in the Revolving Loan Account for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to the City. During the year ended June 30, 2017, no new loans were made to businesses in the City.

Outstanding loans receivable of the Revolving Loan Account at June 30, 2017 are as follows:

Loaned to	Date of Loan	Loan Amount	Interest Rate	Term of Loan	Balance June 30, 2017
Antiques and Gifts on Vine	April 14, 2016	\$ 79,750	4.5%	7 years	\$ 68,137
Dairy Queen	May 17, 2016	79,750	4.5	7 years	63,757
Total					<u>\$ 131,894</u>

**(13) Commitment**

The City has entered into a construction contract totaling \$57,547 for design services of an airport fueling station. As of June 30, 2017, costs of \$32,119 have been incurred on the project. The remaining \$25,428 will be paid as work on the project progresses.

**(14) New Accounting Pronouncement**

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements.

**(15) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

**(16) Subsequent Event**

In August 2017, the City approved a contract totaling \$525,435 with Rays Excavating, LLC for construction of an equalization basin and a UV disinfection 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, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,051,435	-	-
Tax increment financing	51,946	-	-
Other city tax	236,514	-	-
Licenses and permits	47,052	-	-
Use of money and property	20,759	180	49
Intergovernmental	804,079	-	12,294
Charges for service	250,178	785,539	-
Miscellaneous	140,034	37,998	54,986
Total receipts	<u>2,601,997</u>	<u>823,717</u>	<u>67,329</u>
Disbursements:			
Public safety	529,181	-	43,000
Public works	534,737	-	-
Culture and recreation	434,841	-	44,179
Community and economic development	65,254	-	-
General government	132,122	-	-
Debt service	228,943	-	-
Capital projects	690,731	-	-
Business type activities	-	1,282,790	-
Total disbursements	<u>2,615,809</u>	<u>1,282,790</u>	<u>87,179</u>
Excess (deficiency) of receipts over (under) disbursements	(13,812)	(459,073)	(19,850)
Other financing sources, net	(41,907)	601,907	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(55,719)	142,834	(19,850)
Balances beginning of year	<u>2,043,570</u>	<u>723,614</u>	<u>91,960</u>
Balances end of year	<u>\$ 1,987,851</u>	<u>866,448</u>	<u>72,110</u>

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,051,435	1,106,451	1,106,451	(55,016)
51,946	121,748	121,748	(69,802)
236,514	250,129	250,129	(13,615)
47,052	47,600	47,600	(548)
20,890	24,300	24,300	(3,410)
791,785	669,039	669,039	122,746
1,035,717	1,039,776	1,039,776	(4,059)
123,046	24,150	24,150	98,896
3,358,385	3,283,193	3,283,193	75,192
486,181	513,220	513,220	27,039
534,737	546,884	546,884	12,147
390,662	400,621	400,621	9,959
65,254	166,048	166,048	100,794
132,122	152,991	152,991	20,869
228,943	228,943	228,943	-
690,731	257,006	729,157	38,426
1,282,790	1,015,128	1,290,386	7,596
3,811,420	3,280,841	4,028,250	216,830
(453,035)	2,352	(745,057)	292,022
560,000	-	560,000	-
106,965	2,352	(185,057)	292,022
2,675,224	2,881,895	2,881,895	(206,671)
2,782,189	2,884,247	2,696,838	85,351

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City of West Union

Notes to Other Information – Budgetary Reporting

June 30, 2017

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$747,409. The budget amendment is reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the capital projects and business type activities functions prior to the budget amendment.



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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  
For the Last Three Years\*  
(In Thousands)

Other Information

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

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

See accompanying independent auditor's report.

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City of West Union  
Schedule of City Contributions

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

Other Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 62	60	63	63
Contributions in relation to the statutorily required contribution	(62)	(60)	(63)	(63)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 667	657	681	678
Contributions as a percentage of covered-employee payroll	9.30%	9.13%	9.25%	9.29%

\* The 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.



City of West Union

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

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

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

## **Supplementary Information**

City of West Union

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

As of and for the year ended June 30, 2017

	Special Revenue			
	Employee Benefits	Local Option Sales Tax	West Union Volunteer Firefighters Incorporated	Friends of the West Union Parks and Recreation
Receipts:				
Property tax	\$ 220,323	-	-	-
Other city tax	363	-	-	-
Local option sales tax	-	204,092	-	-
Use of money and property	-	-	7	42
Intergovernmental	26,148	-	12,294	-
Charges for service	-	-	-	-
Miscellaneous	-	-	30,163	24,823
Total receipts	246,834	204,092	42,464	24,865
Disbursements:				
Operating:				
Public safety	101,134	-	43,000	-
Public works	35,710	-	-	-
Culture and recreation	47,769	-	-	44,179
Community and economic development	154	-	-	-
General government	29,808	-	-	-
Debt service	-	-	-	-
Total disbursements	214,575	-	43,000	44,179
Excess (deficiency) of receipts over (under) disbursements	32,259	204,092	(536)	(19,314)
Other financing sources (uses):				
Transfers in	19,000	-	-	-
Transfers out	-	(188,034)	-	-
Total other financing sources (uses)	19,000	(188,034)	-	-
Change in cash balances	51,259	16,058	(536)	(19,314)
Cash balances beginning of year	139,930	30,218	37,602	54,358
Cash balances end of year	\$ 191,189	46,276	37,066	35,044
<b>Cash Basis Fund Balances</b>				
Nonspendable - Cemetery	\$ -	-	-	-
Restricted for debt service	-	-	-	-
Restricted for other purposes	191,189	46,276	37,066	35,044
Total cash basis fund balances	\$ 191,189	46,276	37,066	35,044

See accompanying independent auditor's report.

Debt Service	Permanent		Total
	Cemetery Perpetual Care	Cemetery Mausoleum	
180,586	-	-	400,909
457	-	-	820
-	-	-	204,092
-	508	68	625
21,564	-	-	60,006
-	300	-	300
-	-	-	54,986
202,607	808	68	721,738
-	-	-	144,134
-	-	-	35,710
-	-	-	91,948
-	-	-	154
-	-	-	29,808
228,943	-	-	228,943
228,943	-	-	530,697
(26,336)	808	68	191,041
75,000	-	-	94,000
-	-	-	(188,034)
75,000	-	-	(94,034)
48,664	808	68	97,007
(1,267)	84,740	10,569	356,150
47,397	85,548	10,637	453,157
-	85,548	10,637	96,185
47,397	-	-	47,397
-	-	-	309,575
47,397	85,548	10,637	453,157

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Nov 3, 2010	0.75-3.50%	\$ 2,665,000
Corporate purpose	Apr 4, 2017	1.20-2.70	560,000
Total			
Revenue bonds:			
Water	Aug 16, 2011	3.25-5.25%	\$ 1,175,000
Lease purchase agreement:			
Police vehicles	Apr 22, 2013	2.88%	\$ 113,499

See accompanying independent auditor's report.



Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,845,000	-	175,000	1,670,000	53,443
-	560,000	-	560,000	-
<b>\$ 1,845,000</b>	<b>560,000</b>	<b>175,000</b>	<b>2,230,000</b>	<b>53,443</b>
950,000	-	50,000	900,000	40,700
29,603	-	29,603	-	591

**City of West Union**

## City of West Union

## Bond Maturities

June 30, 2017

General Obligation Bonds						
Year Ending June 30,	Corporate Purpose, Series 2010			Corporate Purpose, Series 2017		
	Issued Nov 3, 2010			Issued Apr 4, 2017		
	Interest Rates		Amount	Interest Rates	Amount	Total
2018	2.30%	\$	180,000	1.20%	\$ 115,000	295,000
2019	2.50		190,000	1.50	115,000	305,000
2020	2.75		195,000	1.70	75,000	270,000
2021	3.00		205,000	1.90	35,000	240,000
2022	3.10		210,000	2.00	35,000	245,000
2023	3.20		220,000	2.10	35,000	255,000
2024	3.30		230,000	2.20	35,000	265,000
2025	3.50		240,000	2.35	35,000	275,000
2026			-	2.55	40,000	40,000
2027			-	2.70	40,000	40,000
Total		\$	<u>1,670,000</u>		<u>\$ 560,000</u>	<u>2,230,000</u>

Water Revenue Bonds			
Year Ending June 30,	Issued Aug 16, 2011		
	Interest Rates		Amount
2018	3.25%	\$	50,000
2019	3.25		50,000
2020	3.25		50,000
2021	3.25		55,000
2022	4.00		55,000
2023	4.00		60,000
2024	4.00		60,000
2025	4.50		65,000
2026	4.50		65,000
2027	4.50		70,000
2028	5.00		75,000
2029	5.00		80,000
2030	5.25		80,000
2031	5.25		<u>85,000</u>
Total		\$	<u>900,000</u>

See accompanying independent auditor's report.

City of West Union

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

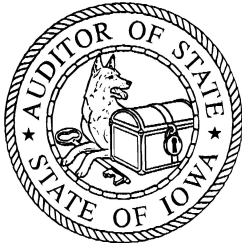
For the Last Ten Years

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 1,051,435	1,031,418	1,036,930	1,089,462
Tax increment financing	51,946	62,724	113,102	115,370
Other city tax	236,514	226,028	245,522	220,597
Licenses and permits	47,052	45,975	52,922	37,761
Use of money and property	20,759	34,323	19,167	18,404
Intergovernmental	804,079	785,530	935,486	1,700,053
Charges for service	250,178	246,351	230,800	228,464
Miscellaneous	140,034	101,286	295,499	120,294
Total	<u>\$ 2,601,997</u>	<u>2,533,635</u>	<u>2,929,428</u>	<u>3,530,405</u>
Disbursements:				
Operating:				
Public safety	\$ 529,181	610,797	495,766	455,640
Public works	534,737	442,371	455,923	434,144
Health and social services	-	-	-	-
Culture and recreation	434,841	448,892	545,930	659,739
Community and economic development	65,254	259,619	99,115	68,694
General government	132,122	149,804	142,686	161,434
Debt service	228,943	227,003	224,642	253,329
Capital projects	690,731	517,881	463,122	1,345,797
Total	<u>\$ 2,615,809</u>	<u>2,656,367</u>	<u>2,427,184</u>	<u>3,378,777</u>

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
1,108,806	1,062,966	733,575	749,031	689,561	715,513
86,403	161,930	212,149	108,250	100,928	74,853
214,583	223,283	220,684	184,786	210,615	200,105
6,726	6,879	8,360	6,255	7,565	6,515
23,112	23,953	19,496	23,960	32,328	40,890
3,203,699	3,222,738	476,870	250,641	316,183	674,719
212,999	245,055	212,746	201,360	222,188	205,464
132,805	192,662	110,978	425,427	55,917	44,990
4,989,133	5,139,466	1,994,858	1,949,710	1,635,285	1,963,049
415,650	355,167	331,157	369,303	627,563	334,739
448,580	623,289	457,949	513,331	577,220	836,787
-	-	-	396	351	360
568,297	562,778	358,602	524,056	465,741	424,953
162,853	143,280	308,356	107,027	81,080	60,232
146,692	141,128	109,730	120,497	110,379	119,533
250,089	251,515	64,236	26,602	-	1,053
3,426,349	2,895,476	2,071,268	423,717	80,839	62,900
5,418,510	4,972,633	3,701,298	2,084,929	1,943,173	1,840,557

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



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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 14, 2018. Our report expressed a modified opinion on the aggregate remaining fund information due to the omission of the Friends of the Library of West Union. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities and each major fund of the City of West Union which are prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and 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) through (D) 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, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


#### The City of West 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

March 14, 2018



City of West Union

Schedule of Findings

Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee.

This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition

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

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

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

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

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

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

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

City of West Union

Schedule of Findings

Year ended June 30, 2017

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

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

Responses

City – Due to a two person office environment, having multiple levels of signatures is sometimes difficult. Effective immediately, the Deputy Clerk and the City Administrator will adjust our standard operating procedure and implement a two person sign off where applicable. We will also implement a process where the Mayor will review these processes and initial on a quarterly schedule.

West Union Volunteer Firefighters – We will instruct the Fire Chief that he needs to initial all deposits before depositing. The Fire Chief will also sign all checks prepared by the Treasurer effective immediately.

Friends of the West Union Parks and Recreation – We will instruct the Park/Rec. Director to work with the Board to implement a process where there is a two person review of deposits and all deposits slips are initialed by both parties. Checks that are prepared by the Director will be signed by an authorized Board member.

Conclusions

City – Response accepted.

West Union Volunteer Firefighters – Response acknowledged. Control procedures should also include accountability for cash and provide for the reconciliation of receipts and deposits.

Friends of West Union Parks and Recreation – Response accepted.

City of West Union

Schedule of Findings

Year ended June 30, 2017

(B) Journal Entries

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

Condition – There was no evidence of independent review for the journal entries tested.

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

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

Recommendation – To strengthen internal control, journal entries should be reviewed and approved by an independent person and that review should be documented by the reviewer's signature or initials and the date of review.

Response – The City Administrator will review, initial and date all journal entries at the end of each month. We have gone back and reviewed all journal entries and initialed them for fiscal year 2017-2018.

Conclusion – Response accepted.

(C) Monthly Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments, including an independent review.

Condition – Although monthly bank reconciliations were prepared, the reconciliations did not contain evidence of an independent review.

Cause – Policies and procedures do not exist to document evidence of an independent review of bank reconciliations.

Effect – Lack of review by an independent person could result in undetected errors or unauthorized activity.

Recommendation – An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations.

Response – The City Administrator will review, initial and date monthly bank reconciliations. The Deputy Clerk and City Administrator have gone back and reviewed and initialed all bank reconciliations for fiscal year 2017-2018.

Conclusion – Response accepted.

City of West Union

Schedule of Findings

Year ended June 30, 2017

(D) Friends of the West Union Parks and Recreation

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

Condition – The Friends of the West Union Parks and Recreation does not maintain accounting records to track receipts, disbursements and fund balance. Also, pre-numbered receipts are not issued for collections.

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

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

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

Response – The current process now reflects the recommendations. We will also look at obtaining pre-numbered receipts.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of West Union

Schedule of Findings

Year ended June 30, 2017

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the capital projects and business type activities functions prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City Administrator and Deputy Clerk understand this Code section. This situation was a result of a timing issue and we needed to react quickly with the disbursement.

Conclusion – Response acknowledged. 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.

- (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 signs, tags and vehicle decals	\$ 2,905

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, these transactions may represent a conflict of interest since the transactions exceeded \$2,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – We only have one business in town to support our needs in this area. We are aware of the limits but did not detect our spending exceeded the maximum allowable. Legal counsel was contacted and could not find any recourse to correct the issue. We have added a note in our accounting software that will remind us to monitor our spending to this business.

Conclusion – Response accepted.

City of West Union

Schedule of Findings

Year ended June 30, 2017

- (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.
- (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 (AURR) was approved and certified to the Iowa Department of Management before December 1. However, the following exceptions were noted on the Levy Authority Summary for the AURR due December 1, 2016.
  - The amounts reported for disbursements and ending fund balances do not agree with City records.
  - The amount reported by the City as TIF debt outstanding did not include the 2010 general obligation streetscape bond previously certified as TIF indebtedness.

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

Response – This was an oversight by the City Administrator. The AURR for fiscal 2017/2018 will be reviewed by the Deputy Clerk to confirm that we are in compliance.

Conclusion – Response accepted.

City of West Union

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Ashley J. Moser, Senior Auditor  
Zachary J. Koziolk, Staff Auditor  
Molly N. Kalkwarf, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA  
Deputy Auditor of State