

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 29, 2021

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$5,231,649 for the year ended June 30, 2020, a 10.7% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$5,632,172 a 12.9% decrease from the prior year. The significant increase in receipts was due to bridge replacement grant receipts collected in the current year. The decrease in disbursements is due to a decrease in capital project disbursements due to reduction in park improvement projects of \$1,688,218 and increase in road projects of \$542,065.

AUDIT FINDINGS:

Sand reported one finding related to the receipt and disbursement of taxpayer funds. The finding is found on pages 54 through 56 of this report. The finding addresses a lack of segregation of duties. Sand provided the City with a recommendation to address the finding.

The finding discussed above is repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

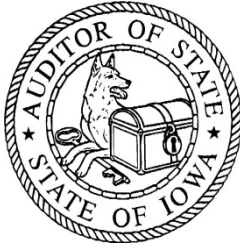
A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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

JUNE 30, 2020

City of West Branch



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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State Capitol Building
Des Moines, Iowa 50319-0004

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

March 18, 2021

Officials of the City of West Branch
West Branch, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of West Branch, Iowa, for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of West Branch

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Laughlin	Mayor	Jan 2022
Colton Miller	Mayor Pro tem	Jan 2020
Jordan Ellyson	Council Member	Jan 2020
Brian Pierce	Council Member	Jan 2020
Nicholas Goodweiler	Council Member	Jan 2022
Jodee Stoolman	Council Member	Jan 2022
Redmond Jones II	Administrator/City Clerk	Indefinite
Gordon Edgar	Deputy City Clerk	Indefinite
Kevin D. Olson	City Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Laughlin	Mayor	Jan 2022
Colton Miller	Mayor Pro tem	Jan 2024
Nicholas Goodweiler	Council Member	Jan 2022
Jodee Stoolman	Council Member	Jan 2022
Tom Dean	Council Member	Jan 2024
Jerry Sexton	Council Member	Jan 2024
Redmond Jones II	Administrator/City Clerk	Indefinite
Gordon Edgar	Deputy City Clerk	Indefinite
Kevin D. Olson	City Attorney	Indefinite

City of West Branch



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2020, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch as of June 30, 2020, 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

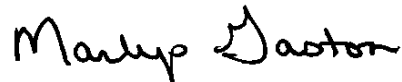
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Branch's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (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 supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, 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 32 through 38, 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 18, 2021 on our consideration of the City of West Branch'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 Branch's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 18, 2021

City of West Branch

Basic Financial Statements

City of West Branch

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 673,149	138,527	176,457	-
Public works	435,046	94,255	299,187	-
Culture and recreation	629,014	24,108	30,248	-
Community and economic development	124,832	-	11,000	-
General government	177,642	6,165	1,500	-
Debt service	1,000,829	-	6,240	-
Capital projects	1,828,227	-	-	684,705
Total governmental activities	4,868,739	263,055	524,632	684,705
Business type activities:				
Water	454,074	556,616	-	-
Sewer	261,643	468,216	-	-
Storm water	47,716	61,854	-	-
Total business type activities	763,433	1,086,686	-	-
Total Primary Government	\$ 5,632,172	1,349,741	524,632	684,705
Component Units:				
Friends of the West Branch Public Library	2,264	-	3,597	-
West Branch Firefighters Association	8,147	-	-	-
West Branch Firefighters Foundation	36,091	-	58,758	-
Total component units	\$ 46,502	-	62,355	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Commercial/industrial tax replacement				
Local option sales tax				
Hotel-motel tax				
Unrestricted interest on investments				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Krouth principal				
Expendable:				
Civic center				
Streets				
Employee benefits				
Fire				
Park improvements				
Library				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position					
Primary Government			Component Units		
Governmental Activities	Business Type Activities	Total	Friends of the West Branch Public Library	West Branch Firefighters Association	West Branch Firefighters Foundation
(358,165)	-	(358,165)			
(41,604)	-	(41,604)			
(574,658)	-	(574,658)			
(113,832)	-	(113,832)			
(169,977)	-	(169,977)			
(994,589)	-	(994,589)			
(1,143,522)	-	(1,143,522)			
(3,396,347)	-	(3,396,347)			
-	102,542	102,542			
-	206,573	206,573			
-	14,138	14,138			
-	323,253	323,253			
(3,396,347)	323,253	(3,073,094)			
			1,333	-	-
			-	(8,147)	-
			-	-	22,667
			1,333	(8,147)	22,667
					-
1,481,815	-	1,481,815	-	-	-
335,791	-	335,791	-	-	-
461,103	-	461,103	-	-	-
94,752	-	94,752	-	-	-
225,687	-	225,687	-	-	-
20,743	-	20,743	-	-	-
22,878	9,743	32,621	1,111	-	4
15,057	-	15,057	-	-	-
5,002	-	5,002	-	-	-
121,988	(121,988)	-	-	-	-
2,784,816	(112,245)	2,672,571	1,111	-	4
(611,531)	211,008	(400,523)	2,444	(8,147)	22,671
3,192,685	382,775	3,575,460	61,873	8,147	21,737
2,581,154	593,783	3,174,937	64,317	-	44,408
121,963	-	121,963	-	-	-
54,509	-	54,509	-	-	-
33,427	-	33,427	-	-	-
212,013	-	212,013	-	-	-
179,367	-	179,367	-	-	-
-	-	-	-	-	44,408
123,485	-	123,485	-	-	-
114,487	-	114,487	64,317	-	-
191,089	-	191,089	-	-	-
150,543	-	150,543	-	-	-
164,613	11,400	176,013	-	-	-
1,235,658	582,383	1,818,041	-	-	-
\$ 2,581,154	593,783	3,174,937	64,317	-	44,408

City of West Branch

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

As of and for the year ended June 30, 2020

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 1,218,440	-	-
Tax increment financing	-	-	461,103
Local option sales tax	-	-	-
Other city tax	61,312	-	-
Licenses and permits	126,171	-	-
Use of money and property	26,295	-	6,240
Intergovernmental	273,186	304,187	-
Charges for service	118,529	-	-
Miscellaneous	21,089	-	-
Total receipts	<u>1,845,022</u>	<u>304,187</u>	<u>467,343</u>
Disbursements:			
Operating:			
Public safety	568,277	-	-
Public works	126,844	285,558	-
Culture and recreation	550,767	-	-
Community and economic development	84,557	-	40,275
General government	160,908	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,491,353</u>	<u>285,558</u>	<u>40,275</u>
Excess (deficiency) of receipts over (under) disbursements	<u>353,669</u>	<u>18,629</u>	<u>427,068</u>
Other financing sources (uses):			
Sale of capital assets	5,002	-	-
Transfers in	50,000	-	-
Transfers out	(211,202)	-	(428,663)
Total other financing sources (uses)	<u>(156,200)</u>	<u>-</u>	<u>(428,663)</u>
Change in cash balances	197,469	18,629	(1,595)
Cash balances beginning of year	<u>1,194,326</u>	<u>193,384</u>	<u>108,572</u>
Cash balances end of year	<u>\$ 1,391,795</u>	<u>212,013</u>	<u>106,977</u>
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ -	-	-
Krouth principal	-	-	-
Restricted for:			
Civic center	33,427	-	-
Streets	-	212,013	-
Employee benefits	-	-	-
Park improvements	-	-	-
Library	95,178	-	-
Debt service	-	-	106,977
Capital projects	-	-	-
Other purposes	27,532	-	-
Assigned for equipment reserves	342,549	-	-
Unassigned	893,109	-	-
Total cash basis fund balances	<u>\$ 1,391,795</u>	<u>212,013</u>	<u>106,977</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
331,075	-	218,704	1,768,219
-	-	-	461,103
-	-	225,687	225,687
4,716	-	4,102	70,130
-	-	-	126,171
-	-	3,456	35,991
15,611	684,705	13,510	1,291,199
-	-	-	118,529
-	10,000	2,100	33,189
351,402	694,705	467,559	4,130,218
-	-	104,872	673,149
-	-	22,644	435,046
-	-	78,247	629,014
-	-	-	124,832
-	-	16,734	177,642
1,000,829	-	-	1,000,829
-	1,828,227	-	1,828,227
1,000,829	1,828,227	222,497	4,868,739
(649,427)	(1,133,522)	245,062	(738,521)
-	-	-	5,002
663,170	261,202	-	974,372
-	-	(212,519)	(852,384)
663,170	261,202	(212,519)	126,990
13,743	(872,320)	32,543	(611,531)
70,369	1,022,863	603,171	3,192,685
84,112	150,543	635,714	2,581,154
-	-	121,963	121,963
-	-	54,509	54,509
-	-	-	33,427
-	-	-	212,013
-	-	179,367	179,367
-	-	123,485	123,485
-	-	19,309	114,487
84,112	-	-	191,089
-	150,543	-	150,543
-	-	137,081	164,613
-	-	-	342,549
-	-	-	893,109
84,112	150,543	635,714	2,581,154

City of West Branch

City of West Branch

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

As of and for the year ended June 30, 2020

	Enterprise			
	Water	Sewer	Storm Water	Total
Operating receipts:				
Charges for service	\$ 534,909	468,216	61,854	1,064,979
Miscellaneous	21,707	-	-	21,707
Total operating receipts	556,616	468,216	61,854	1,086,686
Operating disbursements:				
Business type activities	318,852	243,346	47,716	609,914
Excess of operating receipts over operating disbursements	237,764	224,870	14,138	476,772
Non-operating receipts (disbursements):				
Interest on investments	4,840	4,903	-	9,743
Debt service	(59,305)	-	-	(59,305)
Capital outlay	(75,917)	(18,297)	-	(94,214)
Total non-operating disbursements	(130,382)	(13,394)	-	(143,776)
Excess of receipts over disbursements	107,382	211,476	14,138	332,996
Transfers out	(82,000)	(39,988)	-	(121,988)
Change in cash balances	25,382	171,488	14,138	211,008
Cash balances beginning of year	133,583	117,359	131,833	382,775
Cash balances end of year	\$ 158,965	288,847	145,971	593,783
Cash Basis Fund Balances				
Restricted for:				
Customer deposits	11,400	-	-	11,400
Debt service	4,948	-	-	4,948
Unrestricted	142,617	288,847	145,971	577,435
Total cash basis fund balances	\$ 158,965	288,847	145,971	593,783

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of West Branch is a political subdivision of the State of Iowa located in Cedar and Johnson Counties. It was first incorporated in 1875 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, culture and recreation, community and economic development and general government services. The City also provides water, sewer and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of West Branch 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 Branch (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The Friends of the West Branch Public Library (Friends) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the general operation of the West Branch Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit which should be discretely presented.

The West Branch Firefighters Association (Association) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be discretely presented. The Association closed its books into the Foundation during the fiscal year ending June 30, 2020.

The West Branch Firefighters Foundation (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of fundraising and to support the West Branch Fire and Rescue Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

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: Cedar County Assessor's Conference Board, Cedar County Joint 911 Service Board and Cedar County Emergency Management Agency.

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:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance 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.

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

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

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water 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 positions 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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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 intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Bonds and Note Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Year Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,496,000	-	824,000	6,672,000	844,000
Lease purchase agreement	4,260	-	889	3,371	982
	<u>\$ 7,500,260</u>	<u>-</u>	<u>824,889</u>	<u>6,675,371</u>	<u>844,982</u>
Business type activities:					
Water revenue bonds	\$ 394,000	-	51,000	343,000	53,000

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Water Improvement Issued March 4, 2013			Street Improvement Issued Aug 8, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.40%	\$ 175,000	31,350	1.90%	\$ 85,000	10,255
2022	1.55	175,000	28,900	2.20	90,000	8,640
2023	1.70	180,000	26,188	2.20	90,000	6,660
2024	1.85	185,000	23,128	2.40	95,000	4,680
2025	2.00	190,000	19,705	2.40	100,000	2,400
2026-2030	2.30-3.00	410,000	60,520		-	-
2031-2032	3.00	185,000	8,100		-	-
Total		<u>\$ 1,500,000</u>	<u>197,891</u>		<u>\$ 460,000</u>	<u>32,635</u>

Year Ending June 30,	Park Improvements Issued July 19, 2016			Urban Renewal Issued July 19, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.30%	\$ 85,000	13,043	1.90%	\$ 50,000	6,850
2022	1.50	90,000	11,938	2.20	50,000	5,900
2023	1.50	90,000	10,588	2.20	50,000	4,950
2024	1.75	90,000	9,238	2.50	50,000	3,850
2025	1.75	95,000	7,663	2.50	55,000	2,750
2026-2030	2.00-2.10	295,000	12,200	2.50	55,000	1,375
2031-2032		-	-		-	-
Total		<u>\$ 745,000</u>	<u>64,670</u>		<u>\$ 310,000</u>	<u>25,675</u>

Year Ending June 30,	Judgment Settlement			Street and Utilities Improvement		
	Issued Mar 7, 2017			Issue Dec 5, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.25%	\$ 99,000	9,652	2.00%	\$ 350,000	87,673
2022	3.25	99,000	6,435	2.00	365,000	80,672
2023	3.25	99,000	3,218	2.00	375,000	73,373
2024		-	-	2.50	400,000	65,873
2025		-	-	2.50	405,000	55,873
2026-2030		-	-	2.50-3.10	1,095,000	162,748
2031-2032		-	-	3.25-3.50	370,000	19,420
Total		<u>\$ 297,000</u>	<u>19,305</u>		<u>\$ 3,360,000</u>	<u>545,632</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 844,000	158,823	1,002,823
2022	869,000	142,485	1,011,485
2023	884,000	124,977	1,008,977
2024	820,000	106,769	926,769
2025	845,000	88,391	933,391
2026-2030	1,855,000	236,843	2,091,843
2031-2032	555,000	27,520	582,520
Total	<u>\$ 6,672,000</u>	<u>885,808</u>	<u>7,557,808</u>

On March 5, 2013, the City issued \$2,730,000 of general obligation corporate purpose and refunding bonds to provide funds to pay the costs of constructing improvements to the municipal sanitary sewer, wastewater treatment and waterworks systems and to currently refund the outstanding balance of the City's 2005 general obligation bonds. The bonds bear interest at rates ranging from 1.0% to 3.0% per annum and mature on June 1, 2032. During fiscal year 2020, the City paid principal of \$170,000 and interest of \$33,475 on the bonds. The outstanding principal balance at June 30, 2020 was \$1,500,000.

On August 8, 2015, the City issued \$855,000 of general obligation corporate purpose bonds to provide funds to pay the costs of constructing improvements to Main Street and 4th Street. The bonds bear interest at rates ranging from 1.10% to 2.40% per annum and mature on June 1, 2025. During fiscal year 2020, the City paid principal of \$85,000 and interest of \$11,870 on the bonds. The outstanding principal balance at June 30, 2020 was \$460,000.

On July 19, 2016, the City issued \$1,000,000 of general obligation corporate purpose bonds to provide funds to pay the costs of constructing street, storm water drainage, sidewalk, water system, sanitary sewer system and park improvements. The bonds bear interest at rates ranging from 1.0% to 2.1% per annum and matures on June 1, 2028. During the fiscal year 2020, the City paid principal of \$85,000 and interest of \$14,148 on the bond. The outstanding principal balance at June 30, 2020 was \$745,000.

On July 19, 2016, the City issued \$400,000 of general obligation urban renewal bonds to provide funds for an urban renewal project. The bonds bear interest at rates ranging from 1.55% to 2.5% per annum and matures on June 1, 2026. During fiscal year 2020, the City paid principal of \$45,000 and \$7,548 of interest on the bonds. The outstanding principal balance at June 30, 2020 was \$310,000.

On March 7, 2017, the City issued a \$495,000 general obligation judgement settlement note to provide funds to settle a judgement against the City. The note bears interest at 3.25% per annum and matures on June 1, 2023. During fiscal year 2020, the City paid principal of \$99,000 and \$12,816 of interest on the note. The outstanding principal balance at June 30, 2020 was \$297,000.

On December 5, 2017, the City issued \$4,200,000 of general obligation corporate purpose bonds to provide funds for constructing bridge, sidewalk, street, sanitary sewer, and water system improvements and park improvements. The bonds bear interest at rates ranging from 2.0% to 3.5% per annum and mature on June 1, 2032. During fiscal year 2020, the City paid principal of \$340,000 and interest of \$94,473 on the bonds. The outstanding principal balance at June 30, 2020 was \$3,360,000.

Revenue Bonds

A summary of the City’s June 30, 2020 revenue bonds payable is as follows:

Year Ending June 30,	Water Issued June 2, 2005			Water Issued April 5, 2007		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.75%	\$ 48,000	5,058	3.00%	\$ 5,000	900
2022	1.75	50,000	4,200	3.00	5,000	750
2023	1.75	51,000	3,316	3.00	5,000	600
2024	1.75	53,000	2,406	3.00	5,000	450
2025	1.75	55,000	3,330	3.00	5,000	300
2026-2029	1.75	56,000	1,680	3.00	5,000	150
Total		<u>\$ 313,000</u>	<u>19,990</u>		<u>\$ 30,000</u>	<u>3,150</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 53,000	5,958	58,958
2022	55,000	4,950	59,950
2023	56,000	3,916	59,916
2024	58,000	2,856	60,856
2025	60,000	3,630	63,630
2026-2029	61,000	1,830	62,830
Total	<u>\$ 343,000</u>	<u>23,140</u>	<u>366,140</u>

On June 2, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$860,000 of water revenue bonds with an interest rate of 3.0% per annum. The Iowa Finance Authority approved a reduction to the interest rate from 3.0% per annum to 1.75% per annum effective December 1, 2015. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2020, the City paid principal of \$47,000 and interest of \$7,200 on the bonds. The outstanding principal balance at June 30, 2020 was \$313,000.

On April 5, 2007, the City entered into an agreement with the Iowa Finance Authority and Wells Fargo Bank, N.A. for the issuance of \$83,000 of water revenue bonds with an interest rate of 3.0% per annum. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2020, the City paid principal of \$4,000 and interest of \$1,105 on the bonds. The outstanding principal balance at June 30, 2020 was \$30,000.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds issued in June 2005 and April 2007. 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 2026. Annual principal and interest payments on the bonds for the current year required 25.0% of net receipts. The total principal and interest remaining to be paid on the two bond issues is \$366,140. For the current year, total principal and interest paid on the water revenue bonds was \$59,305 and total customer net receipts were \$237,764.

The resolutions providing for the issuance of the water revenue bonds issued under loan agreements between the City, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Water Fund and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Water Fund for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the Water Fund after making the required transfers shall be placed in a water revenue surplus account. As long as the sinking account has the full amount required to be deposited, the balance in the surplus account may be made available to the City as the City Council may direct.
- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

Lease Purchase Agreement

On July 30, 2018, the City entered into an agreement to lease a copier for the Library at a total cost of \$6,375, including interest at 10.01% per annum. During the year ended June 30, 2020, the City made principal payments of \$889 and interest payments of \$386 on the lease purchase agreement. The outstanding principal balance at June 30, 2020 was \$3,370.

The following is schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2020.

Year Ending June 30,	Library Copier
2021	\$ 1,275
2022	1,275
2023	1,275
2024	<u>106</u>
Total	3,931
Less amount representing interest	<u>(560)</u>
Present value of net minimum lease payments	<u>\$ 3,371</u>

(5) Pension Plan

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$95,535.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$488,695 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the City’s proportion was 0.008439% which was an decrease of -0.000229% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$125,740, \$111,904 and \$140,080, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,054,533	488,695	14,310

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.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$109,948 and plan members eligible for benefits contributed \$29,603 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>12</u>
Total	<u>12</u>

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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.

Employees eligible for retirement will receive either one-half or one-quarter of their accumulated sick leave balance, dependent on the date they were hired. No employees were eligible for sick leave benefits at June 30, 2020.

The City’s approximate liability for earned vacation payable to employees at June 30, 2020, primarily relating to the General Fund, was approximately \$71,500. This liability has been computed based on rates of pay in effect at June 30, 2020.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Urban Renewal Tax Increment	<u>\$ 50,000</u>
Debt Service	Special Revenue: Local Option Sales Tax Urban Renewal Tax Increment Enterprise: Water Sewer	212,519 378,663 <u>32,000</u> <u>39,988</u> 663,170
Capital Projects	General Enterprise: Water	211,202 <u>50,000</u> 261,202
Total		<u>\$ 974,372</u>

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

(9) Internal Loan

During the year ended June 30, 2020, the City approved an internal loan of \$107,000 from the General Fund to the Capital Projects Fund to help pay for planning and construction costs for street improvements. The loan is to be repaid without interest from the Special Revenue, Urban Renewal Tax Increment Fund in amounts not less than \$25,000 for the next four years. During the year ended June 30, 2020, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$50,000 to the General Fund. At June 30, 2020, a balance of \$57,000 of the internal loan remains.

(10) Development Agreement

In May 2015, the City entered into a development agreement with Casey's Marketing Company (Casey's). Under the agreement, Casey's agreed to construct a convenience store with gasoline sales facilities in return for economic development tax increment payments from the City over twenty years. The total to be paid by the City under the agreement is not to exceed \$561,349. At June 30, 2020, the City rebated \$40,275 of incremental property tax to the developer. At June 30, 2020, the remaining balance to be paid on the agreement was \$512,546.

In October 2018, the City entered into a development agreement with The Meadows Development, Inc (Developer). Under the agreement, the Developer agreed to construct a residential subdivision with public improvements. The City agreed to pay the developer an amount not to exceed \$395,000 with the agreement ending on December 31, 2035, which ever happens sooner. As of June 30, 2020, no payments have been paid under the agreement.

In April 2019, the City entered into a development agreement with EMV Holdings, LLC for the construction of an events center. The City has agreed to a tax increment grant not to exceed \$150,000 over a 10-year period. As of June 30, 2020, no payments have been paid under this agreement.

(11) Tax Abatement

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 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, 2020, \$16,177 of property tax was diverted from the City under the urban renewal and economic development agreements.

(12) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$38,699.

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

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

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and fire department liability in varying amounts. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Revolving Loan Fund

In 2001, the City established a revolving loan fund (RLF) to provide loans to promote economic development within the City. The RLF was established with proceeds from an economic development set-aside grant. At June 30, 2020, no loans were made during the year and no outstanding balance at June 30, 2020.

(14) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United State continues to evolve. The full impact to local, regional and national economies, including that of the City of West Branch, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of West Branch. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of West Branch's operations and finances.

(15) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

City of West Branch
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances –
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 1,768,219	-	1,768,219
Tax increment financing	461,103	-	461,103
Other city tax	295,817	-	295,817
Licenses and permits	126,171	-	126,171
Use of money and property	35,991	9,743	45,734
Intergovernmental	1,291,199	-	1,291,199
Charges for service	118,529	1,064,979	1,183,508
Miscellaneous	33,189	21,707	54,896
Total receipts	4,130,218	1,096,429	5,226,647
Disbursements:			
Public safety	673,149	-	673,149
Public works	435,046	-	435,046
Culture and recreation	629,014	-	629,014
Community and economic development	124,832	-	124,832
General government	177,642	-	177,642
Debt service	1,000,829	-	1,000,829
Capital projects	1,828,227	-	1,828,227
Business type activities		763,433	763,433
Total disbursements	4,868,739	763,433	5,632,172
Excess (deficiency) of receipts over (under) disbursements	(738,521)	332,996	(405,525)
Other financing sources, net	126,990	(121,988)	5,002
Change in balances	(611,531)	211,008	(400,523)
Balances beginning of year	3,192,685	382,775	3,575,460
Balances end of year	\$ 2,581,154	593,783	3,174,937

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
1,795,597	1,795,597	(27,378)
461,222	461,222	(119)
255,907	255,907	39,910
35,500	35,500	90,671
29,150	29,150	16,584
1,100,951	1,593,951	(302,752)
1,110,620	1,110,620	72,888
43,900	43,900	10,996
4,832,847	5,325,847	(99,200)
837,894	837,894	164,745
422,219	461,469	26,423
677,375	688,975	59,961
132,978	141,278	16,446
188,286	193,286	15,644
1,000,885	1,000,885	56
1,969,360	2,912,360	1,084,133
775,005	775,005	11,572
6,004,002	7,011,152	1,378,980
(1,171,155)	(1,685,305)	1,279,780
500,000	500,000	(494,998)
(671,155)	(1,185,305)	784,782
3,085,796	3,085,796	489,664
2,414,641	1,900,491	1,274,446

City of West Branch

City of West Branch

Notes to Other Information – Budgetary Reporting

June 30, 2020

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 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, two budget amendments increased budgeted disbursements by \$1,007,150. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

City of West Branch

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

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

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.008439%	0.008668%	0.008379%	0.008229%
City's proportionate share of the net pension liability	\$ 489	549	558	518
City's covered payroll	\$ 948	927	882	782
City's proportionate share of the net pension liability as a percentage of its covered payroll	51.58%	59.22%	63.27%	66.24%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* 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.

2016	2015
0.007732%	0.006950%
382	276
727	671
52.54%	41.13%
85.91%	87.61%

City of West Branch

Schedule of City Contributions

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

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 96	92	85	81
Contributions in relation to the statutorily required contribution	<u>(96)</u>	<u>(92)</u>	<u>(85)</u>	<u>(81)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 998	948	927	882
Contributions as a percentage of covered payroll	9.62%	9.70%	9.17%	9.18%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
72	67	62	55	42	46
(72)	(67)	(62)	(55)	(42)	(46)
-	-	-	-	-	-
782	727	671	598	592	611
9.21%	9.22%	9.24%	9.20%	7.09%	7.53%

City of West Branch

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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.

Supplementary Information

City of West Branch

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

As of and for the year ended June 30, 2020

	Special Revenue			
	Employee Benefits	Local Option Sales Tax	Revolving Loan	Krouth
Receipts:				
Property tax	\$ 218,704	-	-	-
Local option sales tax	-	225,687	-	-
Other city tax	4,102	-	-	-
Use of money and property	-	-	-	289
Intergovernmental	13,510	-	-	-
Miscellaneous	-	-	-	-
Total receipts	236,316	225,687	-	289
Disbursements:				
Operating:				
Public safety	104,872	-	-	-
Public works	22,644	-	-	-
Culture and recreation	78,247	-	-	-
General government	16,734	-	-	-
Total disbursements	222,497	-	-	-
Excess of receipts over disbursements	13,819	225,687	-	289
Other financing sources (uses):				
Transfers out	-	(212,519)	-	-
Change in cash balances	13,819	13,168	-	289
Cash balances beginning of year	165,548	110,317	137,081	19,020
Cash balances end of year	\$ 179,367	123,485	137,081	19,309
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
Krouth principal	-	-	-	-
Restricted for:				
Employee benefits	179,367	-	-	-
Park improvements	-	123,485	-	-
Library	-	-	-	19,309
Other purposes	-	-	137,081	-
Total cash basis fund balances	\$ 179,367	123,485	137,081	19,309

See accompanying independent auditor's report.

Permanent		
Krouth Principal	Cemetery Perpetual Care	Total
-	-	218,704
-	-	225,687
-	-	4,102
1,162	2,005	3,456
-	-	13,510
-	2,100	2,100
1,162	4,105	467,559
-	-	104,872
-	-	22,644
-	-	78,247
-	-	16,734
-	-	222,497
1,162	4,105	245,062
-	-	(212,519)
1,162	4,105	32,543
53,347	117,858	603,171
54,509	121,963	635,714
-	121,963	121,963
54,509	-	54,509
-	-	179,367
-	-	123,485
-	-	19,309
-	-	137,081
54,509	121,963	635,714

City of West Branch
Schedule of Indebtedness
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Corporate purpose and refunding	Mar 5, 2013	1.00-3.00%	\$ 2,730,000
Corporate purpose - street improvement	Aug 8, 2015	1.10-2.40	855,000
Corporate purpose - essential projects and park improvements	Jul 19, 2016	1.00-2.10%	\$ 1,000,000
Urban renewal	Jul 19, 2016	1.55-2.50	400,000
Judgment settlement	Mar 7, 2017	3.25	495,000
Corporate purpose - street, utility and park improvements	Dec 5, 2017	2.00-3.50%	\$ 4,200,000
Total			
Revenue bonds:			
Water	Jun 2, 2005 *	1.75%	\$ 860,000
Water	Apr 5, 2007 *	3.00	83,000
Total			
Lease-purchase agreement:			
Lanier copier	Jul 30, 2018	10.01%	\$ 5,000

* The City is required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,670,000	-	170,000	1,500,000	33,475
545,000	-	85,000	460,000	11,870
830,000	-	85,000	745,000	14,148
355,000	-	45,000	310,000	7,548
396,000	-	99,000	297,000	12,816
3,700,000	-	340,000	3,360,000	94,473
<u>\$ 7,496,000</u>	-	<u>824,000</u>	<u>6,672,000</u>	<u>174,330</u>
360,000	-	47,000	313,000	6,300
34,000	-	4,000	30,000	1,020
<u>\$ 394,000</u>	-	<u>51,000</u>	<u>343,000</u>	<u>7,320</u>
<u>\$ 4,260</u>	-	<u>889</u>	<u>3,371</u>	<u>386</u>

City of West Branch
Bond and Note Maturities
June 30, 2020

Year Ending June 30,	General Obligation					
	Water Improvement Note		Street Improvement Bonds		Essential Projects and Park Improvement Bonds	
	Issued Mar 5, 2013		Issued Aug 8, 2015		Issued Jul 19, 2016	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2021	1.40%	\$ 175,000	1.90%	\$ 85,000	1.30%	\$ 85,000
2022	1.55	175,000	2.20	90,000	1.50	90,000
2023	1.70	180,000	2.20	90,000	1.50	90,000
2024	1.85	185,000	2.40	95,000	1.75	90,000
2025	2.00	190,000	2.40	100,000	1.75	95,000
2026	2.30	80,000		-	2.00	95,000
2027	2.30	80,000		-	2.00	100,000
2028	2.50	80,000		-	2.10	100,000
2029	2.50	85,000		-		-
2030	3.00	85,000		-		-
2031	3.00	90,000		-		-
2032	3.00	95,000		-		-
Total		<u>\$ 1,500,000</u>		<u>\$ 460,000</u>		<u>\$ 745,000</u>

Year Ending June 30,	Revenue Bonds					Total
	Water		Water			
	Issued Jun 2, 2005		Issued Apr 5, 2007			
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2021	1.75%	\$ 48,000	3.00%	\$ 5,000	53,000	
2022	1.75	50,000	3.00	5,000	55,000	
2023	1.75	51,000	3.00	5,000	56,000	
2024	1.75	53,000	3.00	5,000	58,000	
2025	1.75	55,000	3.00	5,000	60,000	
2026	1.75	56,000	3.00	5,000	61,000	
2027		-		-	-	
2028		-		-	-	
2029		-		-	-	
2030		-		-	-	
2031		-		-	-	
2032		-		-	-	
Total		<u>\$ 313,000</u>		<u>\$ 30,000</u>	<u>343,000</u>	

See accompanying independent auditor's report.

<u>Bonds/Notes</u>						
<u>Urban Renewal Bonds</u>		<u>Judgement Settlement Note</u>		<u>Street, Utility and Park Improvement Bonds</u>		
<u>Issued Jul 19, 2016</u>		<u>Issued Mar 7, 2017</u>		<u>Issued Dec 5, 2017</u>		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
1.90%	\$ 50,000	3.25%	\$ 99,000	2.00%	\$ 350,000	844,000
1.90	50,000	3.25	99,000	2.00	365,000	869,000
2.20	50,000	3.25	99,000	2.00	375,000	884,000
2.20	50,000	-	-	2.50	400,000	820,000
2.50	55,000	-	-	2.50	405,000	845,000
2.50	55,000	-	-	2.75	220,000	450,000
-	-	-	-	3.00	225,000	405,000
-	-	-	-	3.00	235,000	415,000
-	-	-	-	3.10	240,000	325,000
-	-	-	-	3.25	175,000	260,000
-	-	-	-	3.40	180,000	270,000
-	-	-	-	3.50	190,000	285,000
	<u>\$ 310,000</u>		<u>\$ 297,000</u>		<u>\$ 3,360,000</u>	<u>6,672,000</u>

City of West Branch

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

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 1,768,219	1,724,999	1,631,625	1,613,353
Tax increment financing	461,103	403,116	249,972	152,449
Local option sales tax	225,687	216,090	193,266	219,609
Other city tax	70,130	67,188	28,511	27,918
Licenses and permits	126,171	41,934	58,917	49,282
Use of money and property	35,991	80,843	46,396	13,822
Intergovernmental	1,291,199	799,958	647,327	597,068
Charges for service	118,529	116,167	122,607	116,572
Miscellaneous	33,189	101,038	117,922	134,422
Total	\$ 4,130,218	3,551,333	3,096,543	2,924,495
Disbursements:				
Operating:				
Public safety	\$ 673,149	609,150	1,294,486	592,081
Public works	435,046	392,936	395,399	463,907
Culture and recreation	629,014	626,015	637,963	605,758
Community and economic development	124,832	59,636	52,911	655,049
General government	177,642	175,404	206,342	278,833
Debt service	1,000,829	1,063,861	681,872	532,538
Capital projects	1,828,227	2,821,540	1,625,144	1,716,074
Total	\$ 4,868,739	5,748,542	4,894,117	4,844,240

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
1,544,428	1,537,122	1,559,380	1,329,716	1,157,867	1,035,262
154,260	215	36,912	97,387	374,400	963,646
183,720	173,221	147,596	166,392	112,030	-
30,562	-	-	-	-	-
58,941	54,892	65,481	60,216	47,563	51,699
7,516	5,984	6,817	7,083	10,027	14,338
592,752	486,289	394,359	381,215	427,391	357,947
107,827	94,935	97,863	83,971	71,122	68,253
66,781	154,161	216,635	153,030	178,850	97,210
2,746,787	2,506,819	2,525,043	2,279,010	2,379,250	2,588,355
695,809	835,978	556,440	495,520	461,258	553,784
438,783	609,663	480,201	706,656	573,811	427,260
727,100	571,811	925,633	457,409	499,060	397,686
64,898	147,241	85,428	21,250	484,467	971,569
399,311	231,897	198,704	221,738	252,766	183,459
372,115	468,291	340,488	1,650,192	210,283	125,157
483,366	6,798	-	-	252,978	128,745
3,181,382	2,871,679	2,586,894	3,552,765	2,734,623	2,787,660



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Branch'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 Branch's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Branch's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of West Branch'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 accompanying Schedule of Findings as item (A) to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Branch'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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 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.

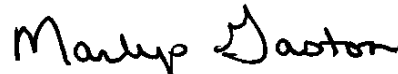
The City of West Branch's Responses to the Findings

The City of West Branch's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of West Branch'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 Branch during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 18, 2021

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 and each component units' financial statements.

Condition – Generally, one individual in the City has control over each of the following areas:

- (1) Receipts – collecting, depositing and posting.

For the West Branch Firefighters Foundation, one individual has control over each of the following areas:

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

For the Friends of the West Branch Library, one individual has control over each of the following areas:

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

Cause – The City, the West Branch Firefighters Foundation and the Friends of the West Branch Library have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

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

City of West Branch

Schedule of Findings

Year ended June 30, 2020

Responses

City – City staff agrees with this finding and will continue to work to implement suggestions contained within the recommendation. The Finance Officer will review receipts and sign off on them.

West Branch Firefighters Foundation – Staff agrees with this finding and will work to implement suggestions contained within the recommendation. Staff will ensure transactions are not prepared, recorded and reconciled by one individual.

Friends of the Library – Staff agrees with this finding and will work to implement suggestions contained within the recommendation. Staff will ensure collecting, depositing, posting, and reconciling funds is not performed by one individual. Disbursements will be reviewed by an independent person.

Conclusion – Response accepted.

(B) Firefighters Foundation Account Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to reconciling monthly bank statements to the book balance to ensure the accuracy of the book balance.

Condition – The West Branch Firefighters Foundation has not been preparing a monthly bank to book reconciliation.

Cause – Policies have not been established and procedures have not been implemented to reconcile monthly bank statements to ensure the accuracy of the book balance.

Effect – Since monthly bank statement reconciliations were not prepared, misstatements of the book balances could occur and not be detected.

Recommendation – To improve financial accountability and control, the reconciliation of the book and bank balances should be prepared and reviewed by an independent person. The review should be documented by the signature or initials of the reviewer and the date of the review.

Response – Staff agrees with this finding and will work to implement suggestions contained within the recommendation. Staff will ensure bank reconciliations are prepared monthly and reviewed and approved by an independent person. The review will be documented by the signature or initials of the reviewer and the date of the review.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Branch

Schedule of Findings

Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.
- (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
Kevin Stoolman, Volunteer Fire Chief, Owner of West Branch Repairs	Vehicle repairs	\$ 4,234

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the transactions with West Branch Repairs do not appear to represent a conflict of interest since the contract is with a volunteer fire fighter.

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials or City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) 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.
- (7) City Council Meeting Minutes – No transactions were found that we believe should have been approved in the City Council meeting minutes but were not.
- (8) 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.
- (9) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

City of West Branch

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Katherine L. Rupp, CPA, Manager
Sidot K. Shipley, Senior Auditor
Matthew R. Baumhover, Assistant Auditor
Jesse K. Villalobos, Assistant Auditor