

CITY OF WEST UNION

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

JUNE 30, 2007

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City of West Union

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Merlin Dunt	Mayor	January 2008
Robert Gage	Council Member	January 2008
Karen Halva	Council Member	January 2008
Troy Schott	Council Member	January 2008
Roy Guenther	Council Member	January 2010
Dean Petersen	Council Member	January 2010
Martin E. Games	City Clerk/Administrator	
Melissa Miller	Deputy City Clerk	
Jeremiah White	City Attorney	

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Union's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2007 on our consideration of the City of West Union's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Union's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

September 27, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Union provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 7.62%, or approximately \$111,000, from fiscal 2006 to fiscal 2007. The increase reflects increased revenues in grant proceeds and local option sales tax funds. Tax Increment Finance collections also increased by approximately \$17,000, while Property Tax receipts increased by \$22,000.
- Governmental Activities disbursements decreased by 13.75%, or approximately \$245,000, in fiscal year 2007 from fiscal year 2006. Expenditures related to capital projects decreased by \$34,000 and debt service payments decreased by \$43,000. Expenditures related to community and economic development decreased by \$255,000. Disbursements related to culture and recreation programs increased by \$35,000 and public works expenditures saw an \$85,000 increase. Expenditures in other programs remained fairly consistent from the previous year.

The City's total cash basis net assets increased 13.75%, or approximately \$123,000 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$30,000 and the assets of the business type activities increased by approximately \$93,000. This increase is mainly the result of an increase in water and sewer rates to provide funds for further utility improvements.

USING THIS ANNUAL REPORT

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds.

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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, 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 Fund. 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 statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. 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. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increases slightly from a year ago, increasing from \$648,000, to \$678,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	<u>2007</u>	<u>2006</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 196	194
Operating grants, contributions and restricted interest	256	230
Capital grants, contributions and restricted interest	118	62
General receipts:		
Property tax	771	729
Local option sales tax	186	146
Grants and contributions not restricted to specific purposes	-	-
Unrestricted investment earnings	34	31
Loan proceeds	-	-
Other general receipts	7	23
Transfers, net	-	42
Total receipts and transfers	<u>1,568</u>	<u>1,457</u>
Disbursements:		
Public safety	292	311
Public works	500	416
Health and social services	-	-
Culture and recreation	426	391
Community and economic development	59	314
General government	104	117
Debt Service	26	69
Capital projects	131	65
Total disbursements	<u>1,538</u>	<u>1,783</u>
Increase in cash basis net assets	30	(326)
Cash basis net assets beginning of year	<u>648</u>	<u>974</u>
Cash basis net assets end of year	<u><u>678</u></u>	<u><u>648</u></u>

The City's total receipts for governmental activities increased by 7.62%, or \$111,000. The total cost of all programs and services decreased by approximately \$245,000, or 13.75%, with no new programs added this year. The increase in receipts was primarily the result of increased revenues in grant proceeds and local option sales tax.

The City raised its property tax rates for 2007 to \$11.27 per thousand of taxable valuation as compared to \$11.09 in 2006. Property tax receipts are budgeted to increase by \$8,000 next year.

The cost of all governmental activities this year was \$1,538,000 compared to \$1,783,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 16, the amount taxpayers ultimately financed for these activities was only \$963,800 because some of the cost was paid by those directly benefited from the programs (\$196,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$374,706).

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 226	\$ 220
Sewer	251	242
Capital grants, contributions and restricted interest	-	-
General receipts:		
Unrestricted interest on investments	12	7
Bond proceeds	-	-
Other general receipts	8	4
Total receipts	497	473
Disbursements:		
Water	187	240
Sewer	217	230
Transfers	-	42
Total disbursements and transfers	404	512
Decrease/Increase in cash balance	93	(39)
Cash basis net assets beginning of year	249	288
Cash basis net assets end of year	342	249

Total business type activities receipts for the fiscal year were \$497,000 compared to \$473,000 last year. This increase was due primarily to increases in sewer income, interest revenue and miscellaneous receipts. The cash balance increased by \$93,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by 21.1% to a total of \$404,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND

As City of West Union completed the year, its governmental funds reported a combined fund balance of \$678,411, an increase of more than \$30,000 above last year's total of \$648,135. 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 \$73,050 from the prior year to \$272,678. The majority of this increase was the result of increased ending balance in the fire equipment replacement funds of 26,000 and 47,000 in the general operating fund.
- The Road Use Tax Fund cash balance decreased by \$63,025 to \$29,960, during the fiscal year. The City purchased a new dump truck with snow plow at a cost of \$83,000.

- The Urban Renewal Tax Increment Fund balance increased \$22,463 to \$48,564. This increase was the result of additional tax increment tax revenues.
- The Debt Service Fund balance decreased by \$19,592 to \$2,328. This decrease was the result of using funds on hand to apply to loan payments.
- The Aquatic Center Project cash balance decreased \$25,906 from the prior year to \$8,003. This decrease was the result of using funds on hand for the aquatic center construction.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$49,971 to \$165,193. The City intends to use these funds for further improvements to the water system.

The Sewer Fund cash balance increased by \$43,421 to \$177,350. The City used these funds to keep the City's sewer system in compliance with state and federal regulations.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 7, 2007, and decreased revenues for the fiscal year by \$450,700 and decreased expenditures by \$397,500. The beginning cash balance for the fiscal year was increased by \$97,162 to reflect the actual balance on hand on July 1, 2006. A public hearing was held prior to the approval of the budget amendment and no public comments were received during the hearing.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately \$1,138,602 in bonds and other long-term debt, compared to approximately \$1,286,426 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	Year ended June 30,	
	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 1	26
Revenue notes	<u>1,138</u>	<u>1,260</u>
Total	\$ <u>1,139</u>	<u>1,286</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,000 represents less than 1.0% of its constitutional debt limit of \$5,033,905.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

West Union elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various City activities. Budgeted revenues are \$2,106,090 and expenditures are set at \$2,063,124. If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$43,000 by the close of fiscal year 2008.

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 Martin Games, City Clerk, 612 Highway 150 South, West Union, Iowa 52175.

City of West Union

Basic Financial Statements

City of West Union
 Statement of Activities and Net Assets - Cash Basis
 As of and for the year ended June 30, 2007

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 291,880	23,118	-	-
Public works	500,268	118,519	212,446	-
Health and social services	334	-	-	-
Culture and recreation	426,178	45,715	21,808	78,296
Community and economic development	59,299	-	-	-
General government	103,449	8,179	21,485	-
Debt service	26,115	-	-	-
Capital projects	130,425	-	721	39,950
Total governmental activities	<u>1,537,948</u>	<u>195,531</u>	<u>256,460</u>	<u>118,246</u>
Business type activities:				
Water	163,884	225,866	-	-
Sewer	217,182	251,262	-	-
Total business type activities	<u>381,066</u>	<u>477,128</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,919,014</u>	<u>672,659</u>	<u>256,460</u>	<u>118,246</u>

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Local option sales tax
 Other city tax
 Unrestricted interest on investments
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Streets
 Urban renewal projects
 Debt Service
 Other purposes
 Unrestricted

Total cash basis net assets

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(268,762)	-	(268,762)
(169,303)	-	(169,303)
(334)	-	(334)
(280,359)	-	(280,359)
(59,299)	-	(59,299)
(73,785)	(228)	(74,013)
(26,115)	(23,232)	(49,347)
(89,754)	-	(89,754)
(967,711)	(23,460)	(991,171)
-	61,982	61,982
-	34,080	34,080
-	96,062	96,062
(967,711)	72,602	(895,109)
681,350	-	681,350
64,304	-	64,304
186,164	-	186,164
25,340	-	25,340
34,007	12,281	46,288
6,822	8,281	15,103
-	-	-
997,987	20,562	1,018,549
30,276	93,164	123,440
648,135	249,397	897,532
\$ 678,411	342,561	1,020,972
63,603	-	63,603
48,546	-	48,546
2,328	38,849	41,177
83,280	-	83,280
480,654	303,712	784,366
\$ 678,411	342,561	1,020,972

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, 2007

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Library
Receipts:				
Property tax	\$ 527,661	-	137,402	-
Tax increment financing collections	-	-	-	-
Other city tax	25,340	-	-	-
Licenses and permits	6,319	-	-	-
Use of money and property	27,377	-	697	3,957
Intergovernmental	12,640	212,446	-	-
Charges for service	188,526	-	-	686
Miscellaneous	60,815	3,555	2,743	5,211
Total receipts	848,678	216,001	140,842	9,854
Disbursements:				
Operating:				
Public safety	232,671	-	59,209	-
Public works	226,675	244,027	29,566	-
Health and social services	334	-	-	-
Culture and recreation	231,695	-	41,021	3,781
Community and economic development	21,046	-	-	-
General government	78,554	-	24,895	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	790,975	244,027	154,691	3,781
Excess (deficiency) of receipts over (under) disbursements	57,703	(28,026)	(13,849)	6,073
Other financing sources (uses):				
Operating transfers in	16,287	-	13,045	940
Operating transfers out	(940)	(35,000)	-	-
Total other financing sources (uses)	15,347	(35,000)	13,045	940
Net change in cash balances	73,050	(63,026)	(804)	7,013
Cash balances beginning of year	199,628	92,986	33,212	87,472
Cash balances end of year	\$ 272,678	29,960	32,408	94,485
Cash Basis Fund Balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved:				
General fund	\$ 272,678	-	-	-
Special revenue funds	-	29,960	32,408	94,485
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 272,678	29,960	32,408	94,485

See notes to financial statements

Permanent Cemetery Perpetual Care	Other Nonmajor Governmental Funds	Total
-	16,287	681,350
-	64,304	64,304
-	186,164	211,504
-	-	6,319
620	6,654	39,305
-	-	225,086
-	-	189,212
-	78,820	151,144
620	352,229	1,568,224
-	-	291,880
-	-	500,268
-	-	334
-	149,681	426,178
-	38,253	59,299
-	-	103,449
-	26,115	26,115
-	130,425	130,425
-	344,474	1,537,948
620	7,755	30,276
-	73,905	104,177
-	(68,237)	(104,177)
-	5,668	-
620	13,423	30,276
72,660	162,177	648,135
73,280	175,600	678,411
-	2,328	2,328
-	-	272,678
-	91,666	248,519
-	71,606	71,606
73,280	10,000	83,280
73,280	175,600	678,411

City of West Union

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

As of and for the year ended June 30, 2007

Total governmental funds cash balances (page 16)	\$ 678,411
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The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
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Cash basis net assets of governmental activities (page 15)	<u>\$ 678,411</u>
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Net change in cash balances (page 16)	\$ 30,276
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The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
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Change in cash balance of governmental activities (page 15)	<u>\$ 30,276</u>
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See notes to financial statements

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, 2007

	Enterprise Funds				Internal Service
	Water	Sewer	Other Nonmajor Proprietary Fund: Water Revenue Bond Sinking	Total	
Operating receipts:					
Use of money and property	\$ 5,850	6,431	-	12,281	-
Charges for service	225,866	251,262	-	477,128	-
Miscellaneous	5,372	2,909	-	8,281	-
Total operating receipts	237,088	260,602	-	497,690	-
Operating disbursements:					
Business type activities	163,884	217,182	-	381,066	228
Total operating disbursements	163,884	217,182	-	381,066	228
Excess (deficiency) of operating receipts over (under) operating disbursements	73,204	43,420	-	116,624	(228)
Non-operating receipts (disbursements):					
Debt service	-	-	(23,232)	(23,232)	-
Total non-operating receipts (disbursements)	-	-	(23,232)	(23,232)	-
Excess (deficiency) of receipts over (under) disbursements	73,204	43,420	(23,232)	93,392	(228)
Operating transfers in/(out)	(23,280)		23,280	-	-
Net change in cash balances	49,924	43,420	48	93,392	(228)
Cash balances beginning of year	76,420	133,930	38,801	249,151	246
Cash balances end of year	\$ 126,344	177,350	38,849	342,543	18
Cash Basis Fund Balances					
Reserved for debt service	\$ -	-	38,849	38,849	-
Unreserved	126,344	177,350	-	303,694	18
Total cash basis fund balances	\$ 126,344	177,350	38,849	342,543	18

See notes to financial statements

City of West Union

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2007

Total enterprise funds cash balances (page 18)	\$342,543
Internal Service Fund - Payroll	<u>18</u>
Cash basis net assets of business type activities (page 15)	<u><u>\$342,561</u></u>
Net change in cash balances (page 18)	\$ 93,392
Internal Service Fund - Payroll	<u>(228)</u>
Change in cash balance of business type activities (page 15)	<u><u>\$ 93,164</u></u>

See notes to financial statements

City of West Union

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of West Union has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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 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.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and

intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Trust Fund is used to account for the property taxes levied for employee benefits, and the expenditures associated with payment of the benefits.

The Library Fund is used to account for donations made to the library and interest earned from investments held by the library.

Trust and Agency :

The Cemetery Perpetual Care Fund earns interest from reserved funds designated for the future care of the City's cemetery's.

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional fund:

An Internal Service Fund is utilized to account for payroll and related benefits by departments of the City.

C. Measurement Focus and Basis of Accounting

The City of West Union 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 disbursements exceed the amounts budgeted for the Culture and Recreation function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2007, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	\$730,000	\$730,000	July 12, 2007

(3) Bonds and Notes Payable

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

Year Ending June 30,	Revenue Notes		G.O. Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	11,885	11,333	1,000	52	12,885	11,385
2009	12,479	10,724			12,479	10,724
2010	13,103	10,085			13,103	10,085
2011	13,758	9,413			13,758	9,413
2012	14,446	8,708			14,446	8,708
2013 - 2021	166,939	40,210			166,939	40,210
Total	\$ 232,610	90,473	1,000	52	233,610	90,525

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. At June 30, 2007 there is \$1,000 remaining to be paid on a Tax Increment Financing Note, which bears interest at 5.25%. This final payment was due December 1, 2005. On May 5, 2005, the City council extended the note's maturity for up to two years in order to extend the TIF Urban Renewal Plan.

The resolutions providing for the issuance of the water revenue note include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking fund account for the purpose of making the bond principal and interest payments when due.

The City has issued Local Option Sales Tax Revenue Bonds during the year in the amount of \$1,100,000 at a rate of 4% per annum from June 27, 2006 until maturity on March 1, 2015. The payments are to be made in an amount equal to 80% of the Local Option Sales Tax revenues collected by the City. There is no pre-established payment schedule for these bonds because revenues from the Local Option Sales Tax are uncertain as to amount.

The City passed a resolution to internally borrow funds from available account balances at a rate of 5% per annum. During the fiscal year ended June 30, 2002, the Street Improvement Fund loaned the Tax Increment Financing Fund \$94,500

for a street improvement project within the commercial TIF district. The second payment of \$14,717 was made during the year.

(4) Lease Purchase Agreements

The City entered into a lease purchase agreement with Baumler Implements, Inc. for a New Holland tractor. The lease purchase arrangement is for six years beginning March 26, 2001. The City traded in an old tractor for the initial lease payment, with \$7,000 being paid each year during the fiscal years ended July 1, 2002 through July 1, 2006. There was to be a \$36,769 buyout at the end of the lease period on July 1, 2006, however the City extended the lease for an additional six years and continued with the \$7,000 per year annual payment, due July 1 of each year starting July 1, 2006 through July 1, 2011. The lease extension bears interest at 5% per annum.

The City entered into an operating lease with Hawkeye Alarm & Signal Company for two alarm receiving panels. The lease ran for three years, from January 1, 1987 to January 1, 1989 and thereafter until written notice is given by either party 30 days prior to the date of desired termination. The City pays \$84 per alarm, or \$168 annually.

The City entered into a lease purchase agreement with Star Leasing, LLC for a copier. The lease purchase arrangement is for five years beginning May 22, 2006, and the payments are \$50 per month, or \$600 annually. At the end of the lease the copier can be purchased for its fair market value.

The City entered into a lease purchase agreement with John Deere Credit for a John Deere Gator. The lease purchase agreement is for five years beginning on July 5, 2005, and the payments are \$1,933.29 annually. At the end of the lease the gator can be purchased for \$1.

Year ended June 30, 2008	\$	9,701
June 30, 2009		9,701
June 30, 2010		9,701
June 30, 2011		7,768
June 30, 2012		<u>6,343</u>
Total	\$	<u>43,214</u>

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.08% and 9.12%. For the years ended June 30, 2005 and 2006, the contribution rates for police employees were 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$36,371, \$33,518, and \$32,158, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation leave hours. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	<u>\$ 38,278</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue Emergency	\$16,287
Special Revenue Employee Benefits	Special Revenue LOST	13,045
Library	General	940
Capital Projects Street Improvements	Special Revenue Road Use TIF LOST	35,000 14,717 18,617
Debt Service	Special Revenue LOST	5,571
Enterprise Water Sinking	Enterprise Water	23,280

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$3,512 during the year ended June 30, 2007.

(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) State Grants

In partnership with the West Union Recreation Foundation, the City applied for and received a \$500,000 Community and Attractions Tourism Grant from the Vision Iowa Board. Of the total grant, \$100,000 was for a new City owned aquatic center and \$400,000 was for a new recreation area surrounding the aquatic center, which is owned and operated by the Recreation Foundation. The entire amount of the grant was given to the City, and they are acting as a fiscal agent in disbursing the funds to the Foundation, per the guidelines set forth by the Vision Iowa board. As of June 30, 2007, the total amount of \$400,000 had been disbursed to the Foundation. The accounting for this flow through activity is recorded as a Special Revenue Fund – State Grants, in Exhibit B of the statement.

(11) Subsequent Events

After June 30, 2007, the City entered into a Tax Increment Financing agreement with Garvin-Moser Assisted Living facility. The agreement states that the City will refund the incremental increase in the property tax value of the facility over the next five years, up to a maximum of \$38,880.

The City has also entered into an agreement with Concrete Foundations Company for the widening of the airport runway and for excavating work at the airport. Total project cost is estimated to be \$550,000, with the City's share being 10% of the total project cost. The remaining amount will be paid for by a grant the City received from the federal government.

Required Supplementary 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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 681,350	-	-
Tax increment financing collections	64,304	-	-
Other city tax	211,504	-	-
Licenses and permits	6,319	-	-
Use of money and property	39,305	12,281	620
Intergovernmental	225,086	-	-
Charges for service	189,212	477,128	-
Miscellaneous	151,144	8,281	-
Total receipts	<u>1,568,224</u>	<u>497,690</u>	<u>620</u>
Disbursements:			
Public safety	291,880	-	-
Public works	500,268	-	-
Health and social services	334	-	-
Culture and recreation	426,178	-	-
Community and economic development	59,299	-	-
General government	103,449	-	-
Debt service	26,115	-	-
Capital projects	130,425	-	-
Business type activities	-	404,526	228
Total disbursements	<u>1,537,948</u>	<u>404,526</u>	<u>228</u>
Excess (deficiency) of receipts over (under) disbursements	30,276	93,164	392
Other financing sources (uses), net	-	-	-
Excess of receipts and other financing sources over disbursements and other financing uses	30,276	93,164	392
Balances beginning of year	<u>648,135</u>	<u>249,397</u>	<u>82,906</u>
Balances end of year	<u>\$ 678,411</u>	<u>342,561</u>	<u>83,298</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
681,350	666,440	666,440	14,910
64,304	63,300	63,300	1,004
211,504	191,189	229,189	(17,685)
6,319	7,775	7,775	(1,456)
50,966	30,330	30,330	20,636
225,086	870,300	285,300	(60,214)
666,340	663,690	668,690	(2,350)
159,425	30,450	121,750	37,675
<u>2,065,294</u>	<u>2,523,474</u>	<u>2,072,774</u>	<u>(7,480)</u>
291,880	338,425	324,225	32,345
500,268	1,150,400	549,200	48,932
334	380	380	46
426,178	303,705	300,980	(125,198)
59,299	62,400	71,900	12,601
103,449	117,975	114,975	11,526
26,115	138,065	176,065	149,950
130,425	40,000	155,000	24,575
404,298	407,245	432,745	28,447
<u>1,942,246</u>	<u>2,558,595</u>	<u>2,125,470</u>	<u>183,224</u>
123,048	(35,121)	(52,696)	175,744
-	-	-	-
123,048	(35,121)	(52,696)	175,744
814,626	800,370	897,532	(82,906)
<u>937,674</u>	<u>765,249</u>	<u>844,836</u>	<u>92,838</u>

City of West Union

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information 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 Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary 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 decreased budgeted receipts by \$450,700 and decreased budgeted disbursements by \$398,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceed the amounts budgeted in the Culture and Recreation program.

Other Supplementary Information

City of West Union

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

As of and for the year ended June 30, 2007

	Special Revenue				
	Urban Renewal Tax Increment	Emergency	Cemetery	Local Option Sales Tax	State Grants
Receipts:					
Property tax	\$ -	16,287	-	-	-
Tax increment financing	64,304	-	-	-	-
Other city tax	-	-	-	186,164	-
Use of money and property	1,810	-	3,151	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	66,114	16,287	3,151	186,164	-
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	750	148,931	-
Community and economic developme	28,934	-	-	-	9,319
General government	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	28,934	-	750	148,931	9,319
Excess (deficiency) of receipts over (under) disbursements	37,180	16,287	2,401	37,233	(9,319)
Other financing sources:					
Operating transfers in/(out)	(14,717)	(16,287)	-	(37,233)	
Net change in cash balances	22,463	-	2,401	-	(9,319)
Cash balances beginning of year	26,083	-	40,719	-	9,319
Cash balances end of year	\$ 48,546	-	43,120	-	-
Cash Basis Fund Balances					
Reserved:					
Debt service	-	-	-	-	-
Unreserved:					
Special revenue funds	\$ 48,546	-	43,120	-	-
Capital projects fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	\$ 48,546	-	43,120	-	-

See accompanying independent auditor's report

Debt Service	Capital Projects		Permanent	Total
	Street Improvements	Aquatic Center	Cemetery Mausoleum	
-	-	-	-	16,287
-	-	-	-	64,304
-	-	-	-	186,164
972	92	629	-	6,654
-	-	-	-	-
-	-	-	-	-
-	524	78,296	-	78,820
972	616	78,925	-	352,229
-	-	-	-	-
-	-	-	-	-
-	-	-	-	149,681
-	-	-	-	38,253
-	-	-	-	-
26,115	-	-	-	26,115
-	25,594	104,831	-	130,425
26,115	25,594	104,831	-	344,474
(25,143)	(24,978)	(25,906)	-	7,755
5,571	68,334	-	-	5,668
(19,572)	43,356	(25,906)	-	13,423
21,900	20,247	33,909	10,000	162,177
2,328	63,603	8,003	10,000	175,600
2,328	-	-	-	2,328
-	-	-	-	91,666
-	63,603	8,003	-	71,606
-	-	-	10,000	10,000
2,328	63,603	8,003	10,000	175,600

City of West Union
 Schedule of Indebtedness
 Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Corporate purpose note	Sept 1, 2000	5.25%	225,000
Municipal building note	Dec 1, 2003	4.25%	92,000
Revenue bonds:			
Water	Dec 1, 1981	5.00%	396,600
Local option sales tax	June 27, 2005	4.00%	1,100,000

See accompanying independent auditor's report

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
1,000	-	-	1,000	52	-
25,000	-	25,000	-	1,063	-
<u>\$ 26,000</u>	-	25,000	1,000	1,115	-
243,929	-	11,319	232,610	11,913	-
1,016,496	-	110,504	905,992	38,427	-
<u>\$ 1,260,425</u>	-	121,823	1,138,602	50,340	-

City of West Union

Bond and Note Maturities

June 30, 2007

Year Ending June 30,	G.O. Notes				
	Corporate Purpose				
	Issued Sept 1, 2000				
	Interest Rates	Amount			
2008	5.25	\$ 1,000			

Year Ending June 30,	Revenue Bonds and Notes				
	Water		LOST		Total
	Issued Dec 1, 1981		Issued June 27, 2005		
	Interest		Interest		
Rates	Amount	Rates	Amount		
2008	5.00	11,885	4.00	110,000	121,885
2009	5.00	12,479	4.00	110,000	122,479
2010	5.00	13,103	4.00	110,000	123,103
2011	5.00	13,758	4.00	110,000	123,758
2012	5.00	14,446	4.00	110,000	124,446
2012 - 2021	5.00	166,939	4.00	355,992	522,931
Total		\$232,610		905,992	1,138,602

See accompanying independent auditor's report

City of West Union

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

	2007	2006	2005	2004	2003
Receipts:					
Property tax	\$ 681,350	659,001	594,144	581,750	589,872
Tax increment financing	64,304	47,681	189,400	178,698	177,693
Other city tax	211,504	168,635	166,190	192,585	208,945
Licenses and permits	6,319	8,191	8,135	7,526	6,305
Use of money and property	39,305	31,790	13,818	11,419	28,602
Intergovernmental	225,086	224,156	225,764	257,676	404,551
Charges for service	189,212	193,760	189,794	144,773	157,216
Miscellaneous	151,144	81,265	700,583	130,341	87,592
Total	<u>\$ 1,568,224</u>	<u>1,414,479</u>	<u>2,087,828</u>	<u>1,504,768</u>	<u>1,660,776</u>
Disbursements:					
Operating:					
Public safety	\$ 291,880	311,015	248,540	278,575	399,565
Public works	500,268	415,784	358,248	362,200	417,556
Health and social services	334	316	338	280	300
Culture and recreation	426,178	390,888	250,716	318,031	310,812
Community and economic development	59,299	313,880	135,380	18,055	16,678
General government	103,449	117,047	105,794	117,976	109,628
Debt service	26,115	69,244	234,560	339,885	428,524
Capital projects	130,425	164,549	1,171,332	480,316	171,269
Total	<u>\$ 1,537,948</u>	<u>1,782,723</u>	<u>2,504,908</u>	<u>1,915,318</u>	<u>1,854,332</u>

See accompanying independent auditor's report

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 27, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of West Union's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of West Union's financial statements that is more than inconsequential will not be prevented or detected by City of West Union's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of West Union's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

September 27, 2007

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of West Union was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2007.

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Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

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Part III: Other Findings Related to Statutory Reporting:

III-A-07 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2007.

III-B-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the culture and recreation program. 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 Local Option Sales Tax revenue note payment was originally budgeted as a debt service expenditure, and was actually a culture and recreation expenditure. This caused the budget for the culture and recreation program to be over budget, and the debt service function to be under budget.

Conclusion – Response accepted.

III-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted. However, four employees were reimbursed for mileage at a rate that was higher than the maximum rate allowed by the IRS. Chapter 70A.9 of the Code of Iowa states in part that an employee is entitled to be paid for expenses for the use of an auto in an amount which may be the maximum allowable under federal Internal Revenue Service rules per mile.

Recommendation – The City should annually review the IRS mileage rates for reimbursement.

Response – The City will reimburse employees in an amount not to exceed the federal mileage reimbursement rate.

Conclusion – Response accepted.

III-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Troy Schott, Council Member, Employee of Wilbur Ford	Repairs and maintenance to city vehicles	\$ 1,272

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Robert Gage, Council Member, Owner of Gage & Gage	Plumbing repairs, and aquatic center repairs	1,640
Rory Starks, City Employee, Owner of R & V Snow Removal	Snow Removal	600

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with R & V Snow Removal and Wilbur Ford do not appear to represent conflicts of interest since the total transactions with the individuals was less than \$1,500 during the fiscal year.

The transaction with Gage & Gage Plumbing may represent a conflict of interest because the transaction was for more than \$1,500.

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

Response – The City will contact its legal counsel.

Conclusion – Response accepted.

- III-E-07 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 insure that the coverage is adequate for current operations.
- III-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-07 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.
- III-H-07 Financial Condition – The City did not have any funds that had a deficit balance at June 30, 2007.

City of West Union

Staff

This audit was performed by:

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