



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

January 20, 2014

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$5,772,343 for the year ended June 30, 2013, an 80% increase over the prior year. The receipts included \$1,329,716 in property tax, \$97,387 from tax increment financing, \$166,392 from local option sales tax, \$767,269 from charges for service, \$479,229 from operating grants, contributions and restricted interest, \$3,443 from unrestricted interest on investments, \$2,857,524 from bond proceeds and \$71,383 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$4,761,105, a 35% increase over the prior year, and included \$1,650,192 for debt service, \$706,656 for public works and \$495,520 for public safety. Disbursements for business type activities totaled \$1,208,340.

The significant increase in receipts and disbursements is due to bond proceeds received and used to pay costs associated with a lift station project and to refund the outstanding balance of the City's 2005 general obligation water improvement bonds.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1320-0142-B00F.pdf>.

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

JUNE 30, 2013

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Fiduciary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	20
Notes to Financial Statements		21-30
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		32-33
Notes to Other Information - Budgetary Reporting		34
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	36
Schedule of Indebtedness	2	38-39
Bond Maturities	3	41
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	42-43
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		45-46
Schedule of Findings		47-51
Staff		52

City of West Branch

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Don Kessler	Mayor	(Deceased Feb 2013)
Mark Worrell (Appointed Mar 2013)	Mayor	Nov 2013
Jim Oaks	Mayor Pro tem	Jan 2014
Dan O'Neil	Council Member	(Resigned Apr 2013)
Mary Beth Stevenson (Appointed May 2013)	Council Member	Nov 2013
Jordan Ellyson	Council Member	Jan 2016
Colton Miller	Council Member	Jan 2016
Mark Worrell	Council Member	(Resigned Mar 2013)
Dick Stoolman (Appointed Apr 2013)	Council Member	Nov 2013
Matt Muckler	Administrator/City Clerk	Indefinite
Dawn Brandt	Deputy Clerk	Indefinite
Kevin D. Olson	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, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, 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, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described 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 opinion is 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, 2012 (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, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 32 through 34, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2013 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Branch's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of West Branch 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 46%, or \$1,182,318, from fiscal year 2012 to fiscal year 2013.
- Disbursements of the City's governmental activities increased 33%, or \$875,910, in fiscal year 2013 from fiscal year 2012.
- The City's total cash basis net assets increased 63%, or \$1,011,238, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net assets of the governmental activities increased \$179,815 and the cash basis net assets of the business type activities increased \$831,423.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, 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 and 4) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's various functions.

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

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

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

3) The fiduciary fund (the Agency, Flexible Benefits Fund) accounts for resources held for others.

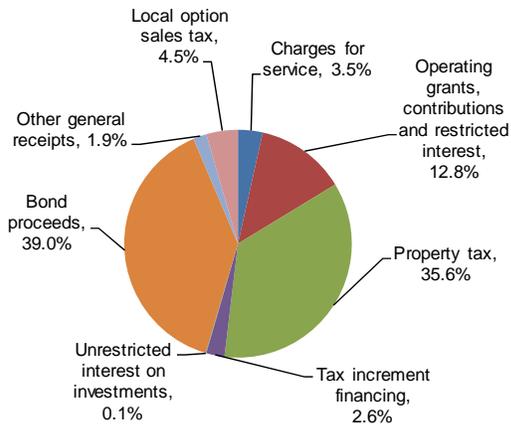
The required financial statement for the fiduciary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

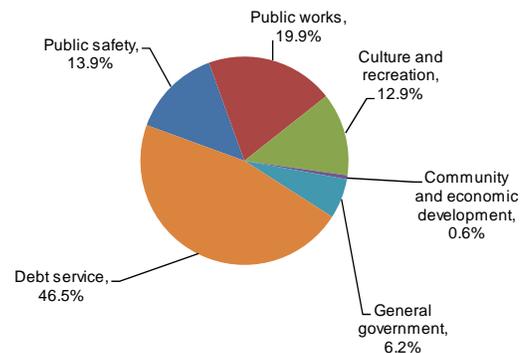
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$179,815 from a year ago, from \$1,194,444 to \$1,374,259. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

	Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 131,460	104,881
Operating grants, contributions and restricted interest	479,229	442,140
General receipts:		
Property tax	1,329,716	1,157,867
Tax increment financing	97,387	374,400
Local option sales tax	166,392	112,030
Unrestricted interest on investments	3,443	5,193
Bond proceeds	1,453,570	233,892
Other general receipts	71,383	119,859
Total receipts	3,732,580	2,550,262
Disbursements:		
Public safety	495,520	408,785
Public works	706,656	573,811
Culture and recreation	457,409	493,765
Community and economic development	21,250	484,467
General government	221,738	252,766
Debt service	1,650,192	210,283
Capital projects	-	252,978
Total disbursements	3,552,765	2,676,855
Change in cash basis net position	179,815	(126,593)
Cash basis net position beginning of year, as restated	1,194,444	1,321,037
Cash basis net position end of year	\$ 1,374,259	1,194,444

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 46%, or \$1,182,318. The significant increase in receipts is primarily due to \$1,453,570 of bond proceeds collected in fiscal year 2013 to refund the outstanding balance of the City's 2005 general obligation water improvement bonds. The increase was offset by a decrease of \$277,013 in tax increment financing (TIF) collections. Fewer TIF receipts were needed in FY 2013 to cover TIF obligations.

The total cost of all programs and services increased \$875,910, or 33%. This increase is primarily due to increased debt service costs associated with refunding \$1,293,000 of 2005 general obligation bonds. This increase was offset by a decrease in capital project disbursements for completion of a fire station expansion project during the prior fiscal year.

The cost of all governmental activities this year was \$3,552,765 compared to \$2,676,855 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14 and 15, the amount taxpayers ultimately financed for these activities was only \$2,942,076 because some of the cost was paid by those who directly benefited from the programs (\$131,460) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$479,229). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2013. The City paid for the remaining "public benefit" portion of governmental activities with \$1,427,104 of levied taxes, \$166,392 of local option sales tax, \$1,453,570 of bond proceeds and \$74,826 of other receipts, such as interest and miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 373,856	348,489
Sewer	261,953	237,272
General receipts:		
Unrestricted interest on investments	-	709
General obligation bond proceeds	1,403,954	-
Total receipts	<u>2,039,763</u>	<u>586,470</u>
Disbursements:		
Water	324,711	524,134
Sewer	883,629	262,818
Total disbursements	<u>1,208,340</u>	<u>786,952</u>
Change in cash basis net position	831,423	(200,482)
Cash basis net position beginning of year	419,614	620,096
Cash basis net position end of year	<u>\$ 1,251,037</u>	<u>419,614</u>

Total business type activities receipts for the fiscal year were \$2,039,763 compared to \$586,470 last year. The cash balance increased \$831,423 over the prior year. Total disbursements for the fiscal year increased 54% to \$1,208,340. The increase in receipts and disbursements was primarily due to bond proceeds collected and used for a sewer lift station project during the fiscal year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of West Branch completed the year, its governmental funds reported a combined cash balance of \$1,374,259, an increase of \$179,815 over last year's total of \$1,194,444. The following are reasons for changes in cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$145,164, or 23%, over the prior year to \$790,446. Receipts increased approximately \$245,000, due in part to an increase in property tax during fiscal year 2013. Donations received for the Library also increased approximately \$50,000. Disbursements increased approximately \$286,000 due to street projects completed in fiscal year 2013 and the purchase of a street sweeper.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$11,925 to \$42,160. Receipts increased less than 1% and disbursements decreased 37%, primarily due to payoff of the maintenance building loan in the prior year. The decrease in cash balance is due to current year disbursements exceeding current year receipts.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$60,000 to \$208,087. The increase was due to fewer rebate payments during fiscal year 2013. During the year, the City canceled its agreement with Acciona Windpower North America.
- The Debt Service Fund cash balance decreased \$62,551 from June 30, 2012 to June 30, 2013. The City issued general obligation corporate purpose refunding bonds during the year and used the proceeds to refund \$1,293,000 of 2005 general obligation bonds. In addition, the City paid the outstanding City offices loan balance in its entirety during fiscal year 2013.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$49,145 to \$244,957. Water Fund receipts increased \$25,367, or 7.3%, due to a water rate increase during fiscal year 2013. Disbursements decreased \$199,423, or 38%, due to completion of a water tower project and water main repairs in the prior year.
- The Enterprise, Sewer Fund cash balance increased \$782,278, to \$1,006,080. The increase was primarily due to receipt of \$1,403,954 of general obligation bond proceeds for a lift station project. The project was not complete as of June 30, 2013.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments were approved on January 22, 2013 and May 20, 2013 and provided for library and police department expenses, refunding the 2005 general obligation water improvement bonds, public works equipment, various park projects and lift station improvements.

The City’s receipts were \$3,866 more than budgeted.

Total disbursements were \$626,732 less than the amended budget. This was primarily due to the timing of the lift station project which was not completed during fiscal year 2013 as anticipated.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$3,814,726 of bonds and other long-term debt outstanding, compared to \$2,569,194 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation bonds	\$ 2,635,000	1,293,000
Revenue bonds	673,000	715,000
Loan agreements	500,931	552,576
Lease-purchase agreements	5,795	8,618
Total	\$ 3,814,726	2,569,194

During the year, 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 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 \$2,900,969 (\$3,141,726, less \$240,757 cash on hand in the Debt Service and Special Revenue, Urban Renewal Tax Increment Funds) is below its constitutional debt limit of approximately \$8.4 million.

Additional information about the City's long-term debt is presented in Notes 3, 4 and 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2014. The property tax levy remained unchanged at \$12.04/thousand dollars of taxable value. It is important to note the City did not increase the property tax levy in the fiscal year 2014 budget for the third year in a row and this levy rate is lower than fiscal year 2009, when the property tax levy was \$12.14/thousand dollars of taxable value.

Amounts available for appropriation in the operating budget are \$3,468,112, a decrease of 5% from the final fiscal year 2013 budget. Budgeted disbursements of \$3,755,600 are expected to decrease \$2,971, less than 1%. The difference between appropriations and disbursements are accounted for in eight areas: 1) the Local Option Sales Tax Fund, 2) the Sewer Fund, 3) the Urban Renewal Tax Increment Fund, 4) the Debt Service Fund, 5) the Krouth Interest Fund, 6) the Perpetual Cemetery Fund, 7) the Road Use Tax Fund and 8) the General Fund.

Fund balances are expected to increase slightly for the General Fund and decrease slightly for the Special Revenue, Local Option Sales Tax and Krouth Funds, the Enterprise, Water and Sewer Funds and the Permanent, Cemetery Perpetual Care Fund. Current available fund balances of \$200,000 are planned to be used for the lift station project. The Special Revenue, Urban Renewal Tax Increment Fund and the Debt Service Fund balances are planned to cover the costs of debt.

If these estimates are realized, the City's budgeted cash balance for all funds is expected to decrease 40% by the close of fiscal year 2014. It is important to note this decrease is driven primarily by the Enterprise, Sewer, the Special Revenue, Urban Renewal Tax Increment and the Debt Service Funds. These decreases will be offset by the City's budgeted cash balance for the General Fund, which is expected to increase approximately 12% by the close of fiscal year 2014.

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 Matt Muckler, City Clerk, 110 N. Poplar St., P.O. Box 218, City of West Branch, Iowa 52358-0218.

Basic Financial Statements

City of West Branch

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 495,520	31,597	164,007
Public works	706,656	54,268	228,368
Culture and recreation	457,409	40,654	86,854
Community and economic development	21,250	-	-
General government	221,738	4,941	-
Debt service	1,650,192	-	-
Total governmental activities	3,552,765	131,460	479,229
Business type activities:			
Water	324,711	373,856	-
Sewer	883,629	261,953	-
Total business type activities	1,208,340	635,809	-
Total Primary Government	\$ 4,761,105	767,269	479,229
Component Units:			
Friends of the West Branch Public Library	\$ 1,468	-	1,192
West Branch Firefighters	67,369	-	68,469
Total component units	\$ 68,837	-	69,661
General Receipts:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year, as restated			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Krouth principal			
Expendable:			
Civic center			
Library			
Tort liability			
Fire			
Streets			
Employee benefits			
Debt service			
Capital outlay			
Customer deposits			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Units	
Primary Government			Friends of the West Branch Public Library	West Branch Firefighters
Governmental Activities	Business Type Activities	Total		
(299,916)	-	(299,916)		
(424,020)	-	(424,020)		
(329,901)	-	(329,901)		
(21,250)	-	(21,250)		
(216,797)	-	(216,797)		
(1,650,192)	-	(1,650,192)		
(2,942,076)	-	(2,942,076)		
-	49,145	49,145		
-	(621,676)	(621,676)		
-	(572,531)	(572,531)		
(2,942,076)	(572,531)	(3,514,607)		
			(276)	-
			-	1,100
			(276)	1,100
1,184,043	-	1,184,043	-	-
145,673	-	145,673	-	-
97,387	-	97,387	-	-
166,392	-	166,392	-	-
3,443	-	3,443	567	6
1,453,570	1,403,954	2,857,524	-	-
71,383	-	71,383	-	-
3,121,891	1,403,954	4,525,845	567	6
179,815	831,423	1,011,238	291	1,106
1,194,444	419,614	1,614,058	53,952	19,587
\$ 1,374,259	1,251,037	2,625,296	54,243	20,693
\$ 104,097	-	104,097	-	-
51,746	-	51,746	-	-
18,186	-	18,186	-	-
75,008	-	75,008	54,243	-
18,744	-	18,744	-	-
78,324	-	78,324	-	20,693
42,160	-	42,160	-	-
50,052	-	50,052	-	-
240,757	6,803	247,560	-	-
-	720,600	720,600	-	-
-	7,796	7,796	-	-
695,185	515,838	1,211,023	-	-
\$ 1,374,259	1,251,037	2,625,296	54,243	20,693

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, 2013

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 1,006,306	-	-
Tax increment financing	-	-	97,387
Other city tax	-	-	-
Licenses and permits	60,216	-	-
Use of money and property	6,144	-	-
Intergovernmental	159,017	222,198	-
Charges for service	83,971	-	-
Miscellaneous	148,949	-	-
Total receipts	<u>1,464,603</u>	<u>222,198</u>	<u>97,387</u>
Disbursements:			
Operating:			
Public safety	442,579	-	-
Public works	452,980	234,123	-
Culture and recreation	398,476	-	-
Community and economic development	21,250	-	-
General government	204,557	-	-
Debt service	-	-	37,387
Total disbursements	<u>1,519,842</u>	<u>234,123</u>	<u>37,387</u>
Excess (deficiency) of receipts over (under) disbursements	(55,239)	(11,925)	60,000
Other financing sources (uses):			
Note proceeds	149,364	-	-
General obligation bond proceeds, including \$7,632 premium net of \$29,472 of issuance costs	-	-	-
Operating transfers in	51,338	-	-
Operating transfers out	(299)	-	-
Total other financing sources (uses)	<u>200,403</u>	<u>-</u>	<u>-</u>
Change in cash balances	145,164	(11,925)	60,000
Cash balances beginning of year, as restated	645,282	54,085	148,087
Cash balances end of year	<u>\$ 790,446</u>	<u>42,160</u>	<u>208,087</u>
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ -	-	-
Krouth principal	-	-	-
Restricted for:			
Civic center	18,186	-	-
Tort liability	18,744	-	-
Streets	-	42,160	-
Employee benefits	-	-	-
Fire	-	-	-
Library	58,331	-	-
Debt service	-	-	208,087
Unassigned	695,185	-	-
Total cash basis fund balances	<u>\$ 790,446</u>	<u>42,160</u>	<u>208,087</u>

See notes to financial statements.

Debt Service	Nonmajor	Total
145,673	177,737	1,329,716
-	-	97,387
-	166,392	166,392
-	-	60,216
-	939	7,083
-	-	381,215
-	-	83,971
-	4,081	153,030
145,673	349,149	2,279,010
-	52,941	495,520
-	19,553	706,656
-	58,933	457,409
-	-	21,250
-	17,181	221,738
1,612,805	-	1,650,192
1,612,805	148,608	3,552,765
(1,467,132)	200,541	(1,273,755)
-	-	149,364
1,304,206	-	1,304,206
100,375	299	152,012
-	(151,713)	(152,012)
1,404,581	(151,414)	1,453,570
(62,551)	49,127	179,815
95,221	251,769	1,194,444
32,670	300,896	1,374,259
-	104,097	104,097
-	51,746	51,746
-	-	18,186
-	-	18,744
-	-	42,160
-	50,052	50,052
-	78,324	78,324
-	16,677	75,008
32,670	-	240,757
-	-	695,185
32,670	300,896	1,374,259

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, 2013

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 371,084	261,953	633,037
Miscellaneous	2,772	-	2,772
Total operating receipts	373,856	261,953	635,809
Operating disbursements:			
Business type activities	206,686	173,134	379,820
Excess of operating receipts over operating disbursements	167,170	88,819	255,989
Non-operating receipts (disbursements):			
General obligation bond proceeds	-	1,403,954	1,403,954
Debt service	(65,237)	-	(65,237)
Capital outlay	(52,788)	(710,495)	(763,283)
Total non-operating receipts (disbursements)	(118,025)	693,459	575,434
Change in cash balances	49,145	782,278	831,423
Cash balances beginning of year	195,812	223,802	419,614
Cash balances end of year	\$ 244,957	1,006,080	1,251,037
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ 6,803	-	6,803
Capital outlay	-	720,600	720,600
Customer deposits	7,796	-	7,796
Unrestricted	230,358	285,480	515,838
Total cash basis fund balances	\$ 244,957	1,006,080	1,251,037

See notes to financial statements.

Exhibit D

City of West Branch

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

As of and for the year ended June 30, 2013

	<u>Agency Flexible Benefits</u>
Additions:	
Employee contributions	\$ 2,816
Deductions:	
Medical reimbursements	<u>2,455</u>
Change in cash balance	361
Cash balance beginning of year	<u>-</u>
Cash balance end of year	<u>\$ 361</u>

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2013

(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 1851 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 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 (Firefighters) 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 Firefighters meet 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 E911 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 revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The 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 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.

Additionally, the City reports an Agency Fund which is used to account for assets held by the City as an agent for individual flexible benefit accounts.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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, 2013, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds Payable

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

Year Ending June 30,	General		Water		Total		
	Obligation Bonds		Revenue Bonds		Principal	Interest	Total
	Principal	Interest	Principal	Interest			
2014	\$ 155,000	43,290	43,000	20,190	198,000	63,480	261,480
2015	155,000	41,740	45,000	18,900	200,000	60,640	260,640
2016	160,000	40,190	46,000	17,550	206,000	57,740	263,740
2017	165,000	38,590	47,000	16,170	212,000	54,760	266,760
2018	165,000	36,940	48,000	14,160	213,000	51,100	264,100
2019-2023	865,000	155,202	265,000	51,180	1,130,000	206,382	1,336,382
2024-2028	615,000	85,028	179,000	10,830	794,000	95,858	889,858
2029-2032	355,000	26,725	-	-	355,000	26,725	381,725
Total	\$ 2,635,000	467,705	673,000	148,980	3,308,000	616,685	3,924,685

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 2.07% per annum and mature on June 1, 2032. The City refunded the bonds to reduce its total debt service payments by \$23,802 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$115,800. During fiscal year 2013, the City paid principal of \$95,000 and interest of \$10,568 on the bonds. The balance on the bonds at June 30, 2013 was \$2,635,000.

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 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 2013, the City paid principal of \$38,000 and interest of \$19,590 on the bonds. The balance on the bonds at June 30, 2013 was \$615,000.

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 2013, the City paid principal of \$4,000 and interest of \$1,860 on the bonds. The balance of the bonds at June 30, 2013 was \$58,000.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$943,000 of 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 are expected to require less than 40% of net receipts. The total principal and interest remaining to be paid on the two bond issues is \$821,980. For the current year, total principal and interest paid on the water revenue bonds was \$63,450 and total customer net receipts were \$167,170.

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 note falling due in the same year.

(4) Loan Agreements

On August 5, 2008, the City entered into a loan agreement with a local bank, not to exceed \$197,500. These funds were used to provide funds for a lawsuit settlement. The loan bears 4.50% per annum interest and matures on November 1, 2023. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	4.50%	\$ 11,334	7,059	18,393
2015	4.50	11,845	6,548	18,393
2016	4.50	12,378	6,015	18,393
2017	4.50	12,920	5,473	18,393
2018	4.50	13,516	4,877	18,393
2019-2023	4.50	77,173	14,704	91,877
2024	4.50	17,601	792	18,393
Total		\$ 156,767	45,468	202,235

On May 26, 2011, the City entered into a loan agreement with a local bank, not to exceed \$376,700, for the expansion of the fire station. The loan bears interest at 3.25% per annum. At June 30, 2013, the City had drawn principal of \$362,637, the total amount the City intends to draw on the loan. The loan bears 3.25% per annum interest and matures on July 1, 2015. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	3.25%	\$ 95,573	4,907	100,480
2015	3.25	98,831	1,758	100,589
2016	3.25	396	1	397
Total		\$ 194,800	6,666	201,466

On February 5, 2013, the City entered into a general obligation equipment note with a local bank for \$149,364 to provide funds to finance the acquisition of equipment for the street department. The note bears interest at 4.50% per annum and matures on June 1, 2015. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	1.75%	\$ 74,682	2,614	77,296
2015	1.75	74,682	1,307	75,989
Total		\$ 149,364	3,921	153,285

(5) Lease-Purchase Agreements

The City has entered into agreements to lease two fuel storage tanks and two copiers under capital leases. The following is a schedule of the future minimum lease payments, including interest of 11.7% and 13.9% per annum for the copiers and 0% for the fuel tanks, and the present value of net minimum lease payments under the agreements in effect at June 30, 2013:

Year ending June 30,	Fuel Tanks	Copiers	Total
2014	\$ 1,069	3,531	4,600
2015	-	1,700	1,700
Total minimum lease payments	1,069	5,231	6,300
Less amount representing interest	-	505	505
Present value of net minimum lease payments	\$ 1,069	4,726	5,795

During the year ended June 30, 2013, the City made principal payments of \$2,823 and interest payments of \$818 on these capital leases.

(6) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$55,475, \$44,289 and \$46,080, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 12 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$509 for single coverage and \$1,273 for family coverage. For the year ended June 30, 2013, the City contributed \$84,704 and plan members eligible for benefits contributed \$20,802 to the plan.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time 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. Two employees were eligible for sick leave benefits at June 30, 2013.

The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2013, primarily relating to the General Fund, was approximately \$56,000. This liability has been computed based on rates of pay in effect at June 30, 2013.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Permanent: Krouth Principal	\$ 51,338
Special Revenue: Krouth	General	299
Debt Service	Special Revenue: Local Option Sales Tax	100,375
Total		<u>\$ 152,012</u>

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

(10) 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.

(11) Tax Increment Development Agreements

On April 17, 2007, the City entered into a tax increment development agreement with P & G. Under the terms of the agreement, as amended on August 2, 2007, P & G will undertake phase II and III of an urban renewal project consisting of certain improvements to be completed in the West Branch Urban Renewal Area. The City agreed to rebate to P & G incremental property tax actually paid for the first two years and abate a percentage of incremental property tax for years three through ten with respect to these improvements and received under Iowa Code Section 403.19 for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements are first paid. At June 30, 2013, all rebates have been paid pursuant to the agreement. Taxes will continue to be abated for seven years.

On June 17, 2007 the City entered into a tax increment development agreement with Acciona Windpower North America, LLC. (Acciona) and amended the agreement on January 8, 2008. Under the terms of the amended agreement, Acciona was to cause minimum improvements to be completed within a five-year period beginning May 2007. The agreement outlined the minimum improvements, which include a capital investment of \$11 million and the creation of approximately 110 new, full-time jobs. The City agreed to rebate to Acciona, for a period of eight years, a percentage of the incremental property tax actually paid with respect to the minimum improvements received under Iowa Code Section 403.19. At June 30, 2013, rebates to Acciona totaled \$412,643. No rebate payments were made in fiscal year 2013. On May 20, 2013, the City Council canceled the Acciona Windpower North America, LLC tax increment development agreement due to a breach of the contract terms requiring creation of jobs.

(12) Construction Commitments

During the year ended June 30, 2013, the City entered into construction contracts totaling \$1,016,519 for improvements to the lift station. Unpaid contract commitments as of June 30, 2013 totaled \$428,855 and will be paid as work on the project progresses. The project is funded with general obligation bond proceeds.

(13) Restatement/Reclassification

The July 1, 2012 cash basis net position of the governmental activities and the cash balance of the Special Revenue, Friends of the West Branch Public Library and West Branch Firefighters Funds have been reclassified to report the Friends of the West Branch Public Library and the West Branch Firefighters as discretely presented component units in accordance with criteria set forth by the Governmental Accounting Standards Board.

	<u>Special Revenue Funds</u>		
	<u>Governmental</u>	<u>Friends of the</u>	<u>West Branch</u>
	<u>Activities</u>	<u>West Branch</u>	<u>West Branch</u>
		<u>Public Library</u>	<u>Firefighters</u>
Balances June 30, 2012, as previously reported	\$ 1,267,983	53,952	19,587
Reclassification of the Friends of the West Branch Public Library and West Branch Firefighters as discretely presented component units	(73,539)	(53,952)	(19,587)
Balances July 1, 2012, as restated	\$ 1,194,444	-	-

(14) Subsequent Events

In July 2013, the City Council approved a purchase agreement for \$375,000 for approximately twenty-two acres of land and a loan agreement providing for the issuance of a \$400,000 general obligation property acquisition note.

On December 2, 2013, the City approved a contract for \$218,192 for phase one of a sanitary sewer rehabilitation project. The project will be funded with sewer receipts.

Other Information

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

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 1,329,716	-	1,329,716
Tax increment financing	97,387	-	97,387
Other city tax	166,392	-	166,392
Licenses and permits	60,216	-	60,216
Use of money and property	7,083	-	7,083
Intergovernmental	381,215	-	381,215
Charges for service	83,971	633,037	717,008
Miscellaneous	153,030	2,772	155,802
Total receipts	<u>2,279,010</u>	<u>635,809</u>	<u>2,914,819</u>
Disbursements:			
Public safety	495,520	-	495,520
Public works	706,656	-	706,656
Culture and recreation	457,409	-	457,409
Community and economic development	21,250	-	21,250
General government	221,738	-	221,738
Debt service	1,650,192	-	1,650,192
Capital projects	-	-	-
Business type activities	-	1,208,340	1,208,340
Total disbursements	<u>3,552,765</u>	<u>1,208,340</u>	<u>4,761,105</u>
Excess (deficiency) of receipts over (under) disbursements	(1,273,755)	(572,531)	(1,846,286)
Other financing sources, net	1,453,570	1,403,954	2,857,524
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	179,815	831,423	1,011,238
Balances beginning of year, as restated	1,194,444	419,614	1,614,058
Balances end of year	<u>\$ 1,374,259</u>	<u>1,251,037</u>	<u>2,625,296</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total Variance
1,323,418	1,323,418	6,298
97,387	97,387	-
177,684	151,684	14,708
19,475	45,475	14,741
6,300	6,300	783
388,927	381,327	(112)
759,251	772,052	(55,044)
32,500	133,310	22,492
<u>2,804,942</u>	<u>2,910,953</u>	<u>3,866</u>
492,524	561,031	65,511
537,908	716,664	10,008
460,268	512,595	55,186
21,250	58,637	37,387
220,680	227,328	5,590
308,813	1,613,019	(37,173)
931,565	-	-
785,563	1,698,563	490,223
<u>3,758,571</u>	<u>5,387,837</u>	<u>626,732</u>
(953,629)	(2,476,884)	630,598
<u>650,000</u>	<u>2,857,524</u>	-
(303,629)	380,640	630,598
<u>1,529,389</u>	<u>1,614,058</u>	-
<u>1,225,760</u>	<u>1,994,698</u>	<u>630,598</u>

City of West Branch

Notes to Other Information – Budgetary Reporting

June 30, 2013

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 Agency Fund and the discretely presented 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 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 \$1,629,266. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the debt service function.

Supplementary Information

Schedule 1

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, 2013

	Special Revenue			Permanent		Total
	Employee Benefits	Local Option Sales Tax	Krouth	Krouth Principal	Cemetery Perpetual Care	
Receipts:						
Property tax	\$ 177,737	-	-	-	-	177,737
Other city tax	-	166,392	-	-	-	166,392
Use of money and property	-	-	96	843	-	939
Miscellaneous	-	-	-	-	4,081	4,081
Total receipts	177,737	166,392	96	843	4,081	349,149
Disbursements:						
Operating:						
Public safety	52,941	-	-	-	-	52,941
Public works	19,553	-	-	-	-	19,553
Culture and recreation	58,933	-	-	-	-	58,933
General government	17,181	-	-	-	-	17,181
Total disbursements	148,608	-	-	-	-	148,608
Excess of receipts over disbursements	29,129	166,392	96	843	4,081	200,541
Other financing sources (uses):						
Operating transfers in	-	-	299	-	-	299
Operating transfers out	-	(100,375)	-	(51,338)	-	(151,713)
Total other financing sources (uses)	-	(100,375)	299	(51,338)	-	(151,414)
Change in cash balances	29,129	66,017	395	(50,495)	4,081	49,127
Cash balances beginning of year, as restated	20,923	12,307	16,282	102,241	100,016	251,769
Cash balances end of year	\$ 50,052	78,324	16,677	51,746	104,097	300,896
Cash Basis Fund Balances						
Nonspendable:						
Cemetery perpetual care	\$ -	-	-	-	104,097	104,097
Krouth principal	-	-	-	51,746	-	51,746
Restricted for:						
Employee benefits	50,052	-	-	-	-	50,052
Fire	-	78,324	-	-	-	78,324
Library	-	-	16,677	-	-	16,677
Total cash basis fund balances	\$ 50,052	78,324	16,677	51,746	104,097	300,896

See accompanying independent auditor's report.

City of West Branch

City of West Branch
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water improvement bonds	Jun 5, 2005	3.00%	\$ 1,740,000
Corporate purpose and refunding bonds	Mar 5, 2013	2.07	2,730,000
Total			
Revenue bonds:			
Water	Jun 2, 2005	* 3.00%	\$ 860,000
Water	Apr 5, 2007	* 3.00	83,000
Total			
Loan agreements:			
City offices	Feb 1, 2008	4.20%	\$ 150,000
Lawsuit settlement	Aug 5, 2008	4.50	197,500
Fire station	May 26, 2011	3.25	376,700
Equipment note	Feb 5, 2013	1.75	149,364
Total			
Lease-purchase agreements:			
Copier	Mar 6, 2009	11.70%	\$ 3,540
Fuel storage tanks	Aug 21, 2009	0.00	5,343
Lanier copier	Dec 15, 2010	13.93	9,300
Total			

* 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
1,293,000	-	1,293,000	-	30,601
-	2,730,000	95,000	2,635,000	10,568
\$ 1,293,000	2,730,000	1,388,000	2,635,000	41,169
653,000	-	38,000	615,000	19,590
62,000	-	4,000	58,000	1,860
\$ 715,000	-	42,000	673,000	21,450
97,868	-	97,868	-	4,136
167,594	-	10,827	156,767	7,567
287,114	-	92,314	194,800	8,061
-	149,364	-	149,364	-
\$ 552,576	149,364	201,009	500,931	19,764
963	-	456	507	94
2,138	-	1,069	1,069	-
5,517	-	1,298	4,219	724
\$ 8,618	-	2,823	5,795	818

City of West Branch

City of West Branch

Bond Maturities

June 30, 2013

Year Ending June 30,	General Obligation Bonds		Revenue Bonds				Total
	Corporate Purpose and Refunding		Water		Water		
	Issued Mar 5, 2013		Issued Jun 2, 2005		Issued Apr 5, 2007		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2014	1.00%	\$ 155,000	3.00%	\$ 39,000	3.00%	\$ 4,000	43,000
2015	1.00	155,000	3.00	41,000	3.00	4,000	45,000
2016	1.00	160,000	3.00	42,000	3.00	4,000	46,000
2017	1.00	165,000	3.00	43,000	3.00	4,000	47,000
2018	1.00	165,000	3.00	44,000	3.00	4,000	48,000
2019	1.10	165,000	3.00	46,000	3.00	4,000	50,000
2020	1.25	170,000	3.00	47,000	3.00	4,000	51,000
2021	1.40	175,000	3.00	48,000	3.00	5,000	53,000
2022	1.55	175,000	3.00	50,000	3.00	5,000	55,000
2023	1.70	180,000	3.00	51,000	3.00	5,000	56,000
2024	1.85	185,000	3.00	53,000	3.00	5,000	58,000
2025	2.00	190,000	3.00	55,000	3.00	5,000	60,000
2026	2.30	80,000	3.00	56,000	3.00	5,000	61,000
2027	2.30	80,000		-		-	-
2028	2.50	80,000		-		-	-
2029	2.50	85,000		-		-	-
2030	3.00	85,000		-		-	-
2031	3.00	90,000		-		-	-
2032	3.00	95,000		-		-	-
Total		<u>\$ 2,635,000</u>		<u>\$ 615,000</u>		<u>\$ 58,000</u>	<u>673,000</u>

See accompanying independent auditor's report.

City of West Branch

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

For the Last Ten Years

	2013	2012	2011	2010	2009
Receipts:					
Property tax	\$ 1,329,716	1,157,867	1,035,262	1,053,701	951,189
Tax increment financing	97,387	374,400	963,646	656,110	671,841
Other city tax	166,392	112,030	-	27,102	30,656
Licenses and permits	60,216	47,563	51,699	28,952	38,155
Use of money and property	7,083	10,027	14,338	18,138	22,468
Intergovernmental	381,215	427,391	357,947	543,714	601,917
Charges for service	83,971	71,122	68,253	81,074	62,696
Miscellaneous	153,030	178,850	97,210	113,503	142,451
Total	\$ 2,279,010	2,379,250	2,588,355	2,522,294	2,521,373
Disbursements:					
Operating:					
Public safety	\$ 495,520	461,258	553,784	761,338	568,777
Public works	706,656	573,811	427,260	425,684	598,898
Culture and recreation	457,409	499,060	397,686	357,108	343,912
Community and economic development	21,250	484,467	971,569	682,578	666,570
General government	221,738	252,766	183,459	198,461	354,240
Debt service	1,650,192	210,283	125,157	125,628	125,000
Capital projects	-	252,978	128,745	-	-
Total	\$ 3,552,765	2,734,623	2,787,660	2,550,797	2,657,397

See accompanying independent auditor's report.

2008	2007	2006	2005	2004
826,020	829,292	638,204	597,246	574,476
529,777	530,449	600,430	534,506	181,065
57,272	24,446	94,710	132,729	164,757
37,783	152,068	22,731	19,569	34,348
56,450	57,214	36,688	13,843	13,089
3,468,113	315,187	297,628	294,124	307,252
54,345	51,555	48,531	56,434	45,332
441,900	180,807	241,825	301,381	96,091
5,471,660	2,141,018	1,980,747	1,949,832	1,416,410
450,250	450,128	761,810	340,295	438,184
1,189,970	947,954	311,379	348,924	342,145
266,101	268,101	216,177	199,374	224,135
2,509,495	9,790	10,215	12,271	10,800
183,185	193,989	157,507	162,454	165,493
654,723	655,999	699,851	851,535	291,393
146,273	133,368	-	-	-
5,399,997	2,659,329	2,156,939	1,914,853	1,472,150

City of West Branch



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Mary Mosiman, CPA
Auditor of State

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, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2013. 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 were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West 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. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2013

City of West Branch

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. For the City, one individual has control over collecting receipts, depositing, journalizing, posting and reconciling. Although the City prepares monthly bank reconciliations, there is no evidence the reconciliations are reviewed by an independent person. One individual initiates and posts journal entries with no independent review and payroll journals are not reviewed and approved by an independent person.

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the West Branch Firefighters and the Friends of the West Branch Public Library should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and elected officials. Monthly bank reconciliations, journal entries and the payroll journal should be reviewed and approved by an independent person. Evidence of review should be indicated by the signature or initials of the independent reviewer and the date of the review.

Responses –

City – City staff agree with this finding and will work to implement suggestions contained within the recommendation.

West Branch Firefighters - City staff and the West Branch Firefighters agree with this finding and will work to implement suggestions contained within the recommendation.

Friends of the West Branch Public Library - City staff and the Friends of the West Branch Public Library agree with this finding and will work to implement suggestions contained within the recommendation.

Conclusions – Responses accepted.

City of West Branch

Schedule of Findings

Year ended June 30, 2013

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Although the City began reconciling utility billings, collections and delinquent accounts in December 2012, variances identified were not resolved timely.

Recommendation – Procedures should be established to ensure variances in the utility reconciliations are resolved timely.

Response – City staff agree with this finding and will work to implement suggestions contained within the recommendation.

Conclusion – Response accepted.

- (C) Disaster Recovery Plan – While the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically, the plan does not include identification of critical applications, an inventory of all hardware and components, an inventory of all essential software systems, a requirement supplies and relevant accounting manuals and other documentation be located offsite and a requirement to test the plan.

Recommendation – The City should review its current disaster recovery plan and include the above noted items in its written disaster recovery plan.

Response – City staff agree with this finding and will work to implement suggestions contained within the recommendation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Branch

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. 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 sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – City staff agrees with this finding and in the future will ensure the budget is amended in sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Mark Worrell, Mayor, Owner of Big Timber Excavations and Grading	Middle School road improvement project	\$ 12,158
	Parking bumpers	21
	Oliphant sidewalk project	487
Total		<u>\$ 12,666</u>

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the Mayor appear to represent a conflict of interest since the total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

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

Response – This finding suggests transactions appear to represent a conflict of interest per Iowa Code Chapter 362. Section 362.5 prohibits a city officer from having an interest in or the profits from work completed for the officer's city, unless it meets one of thirteen exceptions. Section 362.5(d) states the following exception: “Contracts made by a city, upon competitive bid in writing, publicly invited and opened.”

City of West Branch

Schedule of Findings

Year ended June 30, 2013

Three contractors were contacted by the City on the grading/drainage project at the West Branch Middle School. Those three contractors were Barnhart's Custom Services, Big Timber Excavating & Grading, Inc. and Lynch's Excavating. These are three companies that routinely complete excavating and grading work in the West Branch area.

Two of the three contractors submitted written, sealed bids for the work: Lynch's Excavating and Big Timber Excavating & Grading, Inc. These two sealed bids were publicly opened on Friday July 6, 2012 at 2:00 p.m. in the City Council Chamber at 110 N. Poplar Street, West Branch, IA 52358. Big Timber Excavating & Grading, Inc. was determined to have the low bid and was selected to complete the project for the City.

There is no evidence in Section 362.5 the words "publicly invited" in Section 362.5(d) require publication. The subsection certainly implies the public must be allowed to participate, and in this case, the public was invited to participate when the City invited the three firms (mentioned above) that routinely complete excavating and grading projects in the City of West Branch, IA to bid on the project. The contract in this case meets the exception provided for in Section 362.5(d) and, therefore, there is no conflict of interest.

Conclusion – Response acknowledged. While Chapter 362.5 of the Code of Iowa does not define "competitive bidding" or "publicly invited", Chapter 26 of the Code of Iowa, Public Construction Bidding, discusses these two concepts. Specifically, Chapter 26.3 discusses competitive bids for public improvement projects and states in part, "... the governmental entity shall advertise for sealed bids for the proposed public improvement by publishing a notice to bidders." It is logical the same requirement would apply in other areas of the Code of Iowa requiring a competitive bid, including situations where conflict of interest is to be avoided.

The City should consult legal counsel for clarification of Chapter 362.5 of the Code of Iowa requirements prior to entering into future contracts which may represent a conflict of interest.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.

City of West Branch

Schedule of Findings

Year ended June 30, 2013

- (10) Public Construction Bidding – In June 2012, the City Council publicly solicited bids for the Middle School improvement project. The City Council took action to reject the bids and instructed the City Administrator to break up the project into three parts and obtain separate quotes for each part. This appears to violate Chapters 26.3 and 26.5 of the Code of Iowa.

Chapter 26.3 of the Code of Iowa states, “If the estimated total cost of a public improvement exceeds the competitive bid threshold, the governmental entity shall advertise for sealed bids for the proposed public improvement by publishing a notice to bidders.”

In addition, Chapter 26.5 of the Code of Iowa states, “If the estimated total cost of a public improvement exceeds the competitive bid threshold, a governmental entity shall not divide the public improvement project into separate parts, regardless of intent, if a resulting part of the public improvement project is not let in accordance with section 26.3.”

Recommendation – The City should comply with Chapter 26 of the Code of Iowa when contracting for future projects which exceed the competitive bid threshold.

Response – The City of West Branch rejected all bids on the Middle School Road Improvement Project after the bids came back much higher than expected. The City Council determined the bids came back higher than expected because the project included segments which no one contractor could complete in an economical manner. In a successful attempt to save West Branch taxpayers money on this project, it appears an inadvertent violation of Chapter 26 of the Iowa Code may have occurred. In the future, the City will ensure public construction bidding is completed per Iowa Code Chapter 26.

Conclusion – Response accepted.

City of West Branch

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Kelsey J. Kranz, Staff Auditor
Tyler G. Huedepohl, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State