



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

Mary Mosiman, CPA  
Auditor of State

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NEWS RELEASE

FOR RELEASE \_\_\_\_\_ June 9, 2014

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

The City's receipts totaled \$5,690,195 for the year ended June 30, 2013, a 19% decrease from the prior year. The receipts included \$1,146,693 in property tax and other city tax, \$86,403 from tax increment financing, \$1,003,563 from charges for service, \$320,137 from operating grants, contributions and restricted interest, \$2,917,434 from capital grants, contributions and restricted interest, \$176,696 from local option sales tax, \$5,696 from unrestricted interest on investments and \$33,573 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$6,067,131, a 5.7% decrease from the prior year, and included \$3,426,349 for capital projects, \$568,297 for culture and recreation and \$448,580 for public works. Also, disbursements for business type activities totaled \$648,621.

The significant decrease in current year receipts is mainly due to bond proceeds received in the year ended June 30, 2012.

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/1320-0322-B00F.pdf>.

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**CITY OF WEST UNION**

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

**JUNE 30, 2013**

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**City of West Union**

**Officials**

| <u>Name</u>                 | <u>Title</u>             | <u>Term Expires</u> |
|-----------------------------|--------------------------|---------------------|
| Kent Halverson              | Mayor                    | Jan 2014            |
| Roy Guenther                | Council Member           | Jan 2014            |
| Mike Lauer                  | Council Member           | Jan 2014            |
| Joshua Blietz               | Council Member           | (Resigned Oct 2012) |
| Cameron Granger (Appointed) | Council Member           | Nov 2015            |
| Cathy Bemiss                | Council Member           | Jan 2016            |
| Kennon Gumm                 | Council Member           | Jan 2016            |
| Robert Vagts                | City Clerk/Administrator | (Deceased Dec 2013) |
| Amie Johansen               | Deputy City Clerk        | Indefinite          |
| Jeremiah White              | Attorney                 | Indefinite          |

**City of West Union**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 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, each major fund and the aggregate remaining fund information of the City of West Union as of June 30, 2013, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As 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 opinions are not modified with respect to this matter.

Other Matters

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Union's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and cash disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 28 through 30, 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 May 15, 2014 on our consideration of the City of West Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Union's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of West Union provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 decreased 2.9%, or approximately \$150,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$48,000, operating grants, contributions and restricted interest decreased approximately \$229,000, capital grants, contributions and restricted interest increased approximately \$126,000 and tax increment financing decreased approximately \$76,000.
- Disbursements of the City's governmental activities increased 9%, or approximately \$446,000, in fiscal year 2013 over fiscal year 2012. Public works disbursements decreased approximately \$175,000 while public safety, community and economic development and capital projects disbursements increased approximately \$61,000, \$20,000 and \$531,000, respectively. Capital projects disbursements increased as a result of the Green Streetscape Pilot and the U.S. Environmental Protection Agency (EPA) Climate Showcase Communities projects.
- The City's total cash basis net position decreased 15.1%, or approximately \$377,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$296,000 and the cash basis net position of the business type activities decreased approximately \$81,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

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

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

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

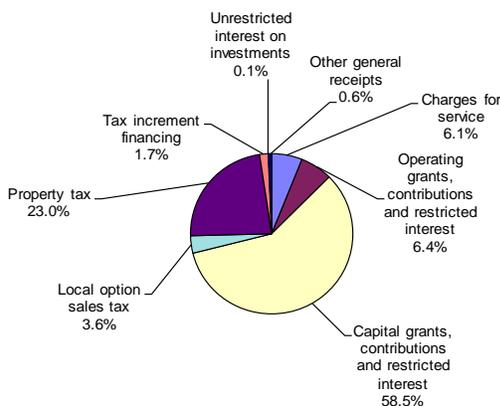
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

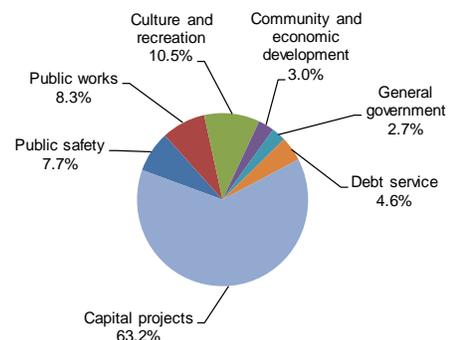
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1,795,000 to approximately \$1,499,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities<br>(Expressed in Thousands) |                     |              |
|---|---------------------|--------------|
|   | Year ended June 30, |              |
|   | 2013                | 2012         |
| <b>Receipts:</b>  |                     |              |
| Program receipts:   |                     |              |
| Charges for service   | \$ 305              | 309          |
| Operating grants, contributions and restricted interest                                   | 320                 | 549          |
| Capital grants, contributions and restricted interest                                     | 2,917               | 2,791        |
| General receipts:   |                     |              |
| Property tax  | 1,147               | 1,099        |
| Tax increment financing   | 86                  | 162          |
| Local option sales tax  | 177                 | 187          |
| Unrestricted interest on investments  | 5                   | 12           |
| Bond proceeds   | -                   | -            |
| Other general receipts  | 32                  | 30           |
| <b>Total receipts</b>   | <b>4,989</b>        | <b>5,139</b> |
| <b>Disbursements:</b>   |                     |              |
| Public safety   | 416                 | 355          |
| Public works  | 448                 | 623          |
| Culture and recreation  | 568                 | 563          |
| Community and economic development  | 163                 | 143          |
| General government  | 147                 | 141          |
| Debt service  | 250                 | 252          |
| Capital projects  | 3,426               | 2,895        |
| <b>Total disbursements</b>  | <b>5,418</b>        | <b>4,972</b> |
| Change in cash basis net position before transfers  | (429)               | 167          |
| Transfers, net  | 133                 | 20           |
| Change in cash basis net position   | (296)               | 187          |
| Cash basis net position beginning of year   | 1,795               | 1,608        |
| Cash basis net position end of year   | <b>\$ 1,499</b>     | <b>1,795</b> |

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased 2.9%, or approximately \$150,000. The total cost of all programs and services increased approximately \$446,000, or 9%, with no new programs added this year. The decrease in receipts was primarily the result of state and federal grants received and a decrease in tax increment financing collections. The increase in disbursements was primarily due to the Green Streetscape Pilot project and the EPA Climate Showcase Communities project funded with state and federal grants.

The cost of all governmental activities this year was approximately \$5.418 million compared to approximately \$4.972 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$1.76 million because some of the cost was paid by those directly benefited from the programs (\$304,921) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$3,237,571). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$3,649,000 to approximately \$3,542,000. This was primarily due to less state and federal grants for the airport improvement project received in fiscal year 2013.

| Changes in Cash Basis Net Position of Business Type Activities |                     |              |
|--|---------------------|--------------|
| (Expressed in Thousands)                                       |                     |              |
|  | Year ended June 30, |              |
|  | 2013                | 2012         |
| Receipts:  |                     |              |
| Program receipts:  |                     |              |
| Charges for service:   |                     |              |
| Water  | \$ 343              | 362          |
| Sewer  | 355                 | 373          |
| General receipts:  |                     |              |
| Unrestricted interest on investments                           | 1                   | 1            |
| Bond proceeds  | -                   | 1,160        |
| Other general receipts   | 2                   | 3            |
| Total receipts   | <u>701</u>          | <u>1,899</u> |
| Disbursements:   |                     |              |
| Water  | 336                 | 1,164        |
| Sewer  | 313                 | 296          |
| Total disbursements  | <u>649</u>          | <u>1,460</u> |
| Change in cash basis net position before transfers             | 52                  | 439          |
| Transfers, net   | <u>(133)</u>        | <u>(20)</u>  |
| Change in cash basis net position                              | (81)                | 419          |
| Cash basis net position beginning of year                      | <u>708</u>          | <u>289</u>   |
| Cash basis net position end of year                            | <u>\$ 627</u>       | <u>708</u>   |

Total business type activities receipts for the fiscal year were approximately \$701,000 compared to approximately \$1,899,000 last year. This decrease was due primarily to the issuance of water revenue bonds in fiscal year 2012. The cash balance decreased approximately \$81,000 from the prior year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of West Union completed the year, its governmental funds reported a combined fund balance of approximately \$1,499,000, a decrease of more than \$296,000 below last year's total of approximately \$1,795,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$66,738 over the prior year balance of \$648,999. Receipts decreased approximately \$206,000 compared to the prior year. This was primarily due to a decrease of approximately \$148,000 from intergovernmental receipts as a result of less state and federal receipts for the airport improvement project. Disbursements decreased \$63,000 from the prior year. Disbursements decreased due to less capital equipment purchased for the airport improvement project.
- At the end of the fiscal year, the Special Revenue, Road Use Tax Fund cash balance was \$150,571, an increase of \$13,427 over the previous year. Road use tax receipts increased approximately \$4,200 and disbursements remained fairly consistent.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$10,314 to \$181,370. Receipts were \$86,708 while disbursements were \$97,022, both less than the prior year.
- The Capital Projects Fund cash balance decreased \$405,832 from the prior year. During the year, the City continued work on downtown capital projects, such as Iowa Great Places and the EPA Climate Showcase Communities. Receipts increased approximately \$125,000 and disbursements increased approximately \$531,000 as the projects continued.

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

- The Enterprise, Water Fund cash balance decreased \$75,578 to \$367,673, due primarily to the reimbursement to the Capital Projects Fund for prior year water related disbursements.
- The Enterprise, Sewer Fund cash balance decreased \$5,167 to \$259,907, due primarily to higher capital projects disbursements.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 20, 2013 and resulted in an overall increase in budgeted receipts of \$21,040 due to increased estimates of intergovernmental and miscellaneous receipts. Budgeted disbursements increased \$98,096 due to increased disbursements for the library project, new recreational and pool equipment and additional community and economic development grants.

The City's receipts were \$2,521,104 less than the amended budgeted. This was primarily due to the City receiving less in intergovernmental receipts than budgeted.

Total disbursements were \$2,162,098 less than the amended budget. Actual disbursements for the culture and recreation, capital projects and business type activities functions were approximately \$51,000, \$2,025,000 and \$34,000, respectively, less than the amended budget.

The City exceeded the amount budgeted in the community and economic development function for the year ended June 30, 2013 by \$4,672 due to greater than budgeted disbursements related to economic development activities.

## DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$3,633,400 of bonds and other long-term debt outstanding, compared to approximately \$3,994,300 last year, as shown below.

|                                  | Outstanding Debt at Year-End<br>(Expressed in Thousands) |       |
|----------------------------------|--|-------|
|                                  | June 30,   |       |
|                                  | 2013   | 2012  |
| General obligation bonds         | \$ 2,345   | 2,505 |
| Loan agreement                   | 25   | 50    |
| Revenue bonds                    | 1,263  | 1,439 |
| Vehicle lease purchase agreement | 114  | -     |
| Total                            | \$ 3,747   | 3,994 |

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

The City continues to carry a general obligation bond rating of A assigned by Moody's Investors Service. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt, including TIF rebate agreements of \$818,312 and local option sales tax bonds of \$177,935, is \$3,480,240, which is well below the statutory debt limit of approximately \$5,604,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of West Union's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City at June 2013 was 5.2%. This compares with the State's unemployment rate of 4.8% and the national rate of 7.5% as of the same time period.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$4.8 million, a significant decrease from the final fiscal year 2013 budget. Proceeds from federal and state grants and charges for service are expected to lead this decrease. Budgeted disbursements are expected to decrease approximately \$3,119,000 from the fiscal year 2013 original budget. The Green Streetscape Pilot project is substantially complete and the City has added no major new programs or initiatives to the fiscal year 2014 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$272,000 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 the West Union City Administrator, 612 Highway 150 South, City of West Union, Iowa 52175.

## **Basic Financial Statements**

City of West Union

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

|                                    | Disbursements | Program Receipts    |   |   |
|------------------------------------|---------------|---------------------|---|---|
|                                    |               | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions/Programs:</b>         |               |                     |   |   |
| Governmental activities:           |               |                     |   |   |
| Public safety                      | \$ 415,650    | 36,053              | 28,657  | -   |
| Public works                       | 448,580       | 132,714             | 260,447   | -   |
| Culture and recreation             | 568,297       | 136,154             | 29,328  | -   |
| Community and economic development | 162,853       | -                   | -   | -   |
| General government                 | 146,692       | -                   | -   | -   |
| Debt service                       | 250,089       | -                   | 1,705   | -   |
| Capital projects                   | 3,426,349     | -                   | -   | 2,917,434   |
| Total governmental activities      | 5,418,510     | 304,921             | 320,137   | 2,917,434   |
| Business type activities:          |               |                     |   |   |
| Water                              | 335,714       | 342,973             | -   | -   |
| Sewer                              | 312,907       | 355,669             | -   | -   |
| Total business type activities     | 648,621       | 698,642             | -   | -   |
| Total                              | \$ 6,067,131  | 1,003,563           | 320,137   | 2,917,434   |

**General Receipts and Transfers:**

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

**Cash Basis Net Position**

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

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

| Governmental<br>Activities | Business Type<br>Activities | Total       |
|----------------------------|-----------------------------|-------------|
| (350,940)                  | -                           | (350,940)   |
| (55,419)                   | -                           | (55,419)    |
| (402,815)                  | -                           | (402,815)   |
| (162,853)                  | -                           | (162,853)   |
| (146,692)                  | -                           | (146,692)   |
| (248,384)                  | -                           | (248,384)   |
| (508,915)                  | -                           | (508,915)   |
| (1,876,018)                | -                           | (1,876,018) |
| -                          | 7,259                       | 7,259       |
| -                          | 42,762                      | 42,762      |
| -                          | 50,021                      | 50,021      |
| (1,876,018)                | 50,021                      | (1,825,997) |
| 944,799                    | -                           | 944,799     |
| 201,894                    | -                           | 201,894     |
| 86,403                     | -                           | 86,403      |
| 176,696                    | -                           | 176,696     |
| 5,053                      | 643                         | 5,696       |
| 31,796                     | 1,777                       | 33,573      |
| 133,186                    | (133,186)                   | -           |
| 1,579,827                  | (130,766)                   | 1,449,061   |
| (296,191)                  | (80,745)                    | (376,936)   |
| 1,795,364                  | 708,325                     | 2,503,689   |
| \$ 1,499,173               | 627,580                     | 2,126,753   |
| \$ 91,219                  | -                           | 91,219      |
| 181,370                    | -                           | 181,370     |
| 150,571                    | -                           | 150,571     |
| -                          | 92,663                      | 92,663      |
| 325,471                    | 335,319                     | 660,790     |
| 138,478                    | 6,990                       | 145,468     |
| 612,064                    | 192,608                     | 804,672     |
| \$ 1,499,173               | 627,580                     | 2,126,753   |

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, 2013

|  | Special Revenue |          |               |
|--|-----------------|----------|---------------|
|  | General         | Road Use | Urban         |
|  |                 | Tax      | Renewal       |
|  |                 | Tax      | Tax Increment |
| Receipts:  |                 |          |               |
| Property tax   | \$ 653,082      | -        | -             |
| Tax increment financing                                    | -               | -        | 86,403        |
| Other city tax   | 37,887          | -        | -             |
| Licenses and permits                                       | 6,726           | -        | -             |
| Use of money and property                                  | 19,377          | -        | 305           |
| Intergovernmental  | 48,191          | 238,074  | -             |
| Charges for service  | 212,149         | -        | -             |
| Miscellaneous  | 90,395          | 13,836   | -             |
| Total receipts   | 1,067,807       | 251,910  | 86,708        |
| Disbursements:   |                 |          |               |
| Operating:   |                 |          |               |
| Public safety  | 287,688         | -        | -             |
| Public works   | 175,881         | 238,483  | -             |
| Culture and recreation                                     | 362,982         | -        | -             |
| Community and economic development                         | 65,831          | -        | 97,022        |
| General government   | 108,687         | -        | -             |
| Debt service   | -               | -        | -             |
| Capital projects   | -               | -        | -             |
| Total disbursements  | 1,001,069       | 238,483  | 97,022        |
| Excess (deficiency) of receipts over (under) disbursements | 66,738          | 13,427   | (10,314)      |
| Other financing sources (uses):                            |                 |          |               |
| Operating transfers in                                     | -               | -        | -             |
| Operating transfers out                                    | -               | -        | -             |
| Total other financing sources (uses)                       | -               | -        | -             |
| Change in cash balances                                    | 66,738          | 13,427   | (10,314)      |
| Cash balances beginning of year                            | 648,999         | 137,144  | 191,684       |
| Cash balances end of year                                  | \$ 715,737      | 150,571  | 181,370       |
| <b>Cash Basis Fund Balances</b>                            |                 |          |               |
| Nonspendable - Cemetery                                    | \$ -            | -        | -             |
| Restricted for:  |                 |          |               |
| Urban renewal purposes                                     | -               | -        | 181,370       |
| Streets  | -               | 150,571  | -             |
| Capital projects   | -               | -        | -             |
| Other purposes   | 65,258          | -        | -             |
| Assigned for:  |                 |          |               |
| Library  | 182,382         | -        | -             |
| Park   | 163,204         | -        | -             |
| Cemetery   | 20,190          | -        | -             |
| Unassigned   | 284,703         | -        | -             |
| Total cash basis fund balances                             | \$ 715,737      | 150,571  | 181,370       |

See notes to financial statements.

| Capital Projects | Nonmajor       | Total            |
|------------------|----------------|------------------|
| -                | 455,724        | 1,108,806        |
| -                | -              | 86,403           |
| -                | 176,696        | 214,583          |
| -                | -              | 6,726            |
| 1,162            | 2,268          | 23,112           |
| 2,917,434        | -              | 3,203,699        |
| -                | 850            | 212,999          |
| -                | 28,574         | 132,805          |
| <u>2,918,596</u> | <u>664,112</u> | <u>4,989,133</u> |
| -                | 127,962        | 415,650          |
| -                | 34,216         | 448,580          |
| -                | 205,315        | 568,297          |
| -                | -              | 162,853          |
| -                | 38,005         | 146,692          |
| -                | 250,089        | 250,089          |
| <u>3,426,349</u> | <u>-</u>       | <u>3,426,349</u> |
| <u>3,426,349</u> | <u>655,587</u> | <u>5,418,510</u> |
| <u>(507,753)</u> | <u>8,525</u>   | <u>(429,377)</u> |
| 101,921          | 68,735         | 170,656          |
| -                | (37,470)       | (37,470)         |
| <u>101,921</u>   | <u>31,265</u>  | <u>133,186</u>   |
| (405,832)        | 39,790         | (296,191)        |
| <u>731,303</u>   | <u>86,234</u>  | <u>1,795,364</u> |
| <u>325,471</u>   | <u>126,024</u> | <u>1,499,173</u> |
| -                | 91,219         | 91,219           |
| -                | -              | 181,370          |
| -                | -              | 150,571          |
| 325,471          | -              | 325,471          |
| -                | 73,220         | 138,478          |
| -                | -              | 182,382          |
| -                | -              | 163,204          |
| -                | -              | 20,190           |
| -                | (38,415)       | 246,288          |
| <u>325,471</u>   | <u>126,024</u> | <u>1,499,173</u> |

**City of West Union**

City of West Union

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

As of and for the year ended June 30, 2013

|  | Enterprise |          |           |
|--|------------|----------|-----------|
|  | Water      | Sewer    | Total     |
| Operating receipts:  |            |          |           |
| Charges for service  | \$ 341,153 | 355,669  | 696,822   |
| Miscellaneous  | 1,820      | -        | 1,820     |
| Total operating receipts                                     | 342,973    | 355,669  | 698,642   |
| Operating disbursements:                                     |            |          |           |
| Business type activities                                     | 223,984    | 256,091  | 480,075   |
| Excess of operating receipts<br>over operating disbursements | 118,989    | 99,578   | 218,567   |
| Non-operating receipts (disbursements):                      |            |          |           |
| Interest on investments                                      | 229        | 414      | 643       |
| Miscellaneous  | 120        | 1,657    | 1,777     |
| Debt service   | (92,050)   | -        | (92,050)  |
| Capital projects   | (19,680)   | (56,816) | (76,496)  |
| Net non-operating disbursements                              | (111,381)  | (54,745) | (166,126) |
| Excess of receipts over disbursements                        | 7,608      | 44,833   | 52,441    |
| Transfers out  | (83,186)   | (50,000) | (133,186) |
| Change in cash balances                                      | (75,578)   | (5,167)  | (80,745)  |
| Cash balances beginning of year                              | 443,251    | 265,074  | 708,325   |
| Cash balances end of year                                    | \$ 367,673 | 259,907  | 627,580   |
| <b>Cash Basis Fund Balances</b>                              |            |          |           |
| Restricted for:  |            |          |           |
| Debt service   | \$ 92,663  | -        | 92,663    |
| Capital projects   | 206,982    | 128,337  | 335,319   |
| Meter deposits   | 6,990      | -        | 6,990     |
| Unrestricted   | 61,038     | 131,570  | 192,608   |
| Total cash basis fund balances                               | \$ 367,673 | 259,907  | 627,580   |

See notes to financial statements.

City of West Union

Notes to Financial Statements

June 30, 2013

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

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

A. Reporting Entity

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

These financial statements present the City of West Union (the primary government) and West Union Volunteer Firefighters Incorporated (component unit). This component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit - West Union Volunteer Firefighters Incorporated is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board, Fayette County Solid Waste Management Commission, Fayette County Emergency Management Commission, Fayette County Joint E911 Service Board, Fayette County Economic Development Board, Upper Explorerland Regional Housing Authority and West Union Industrial Development Corporation.

The City also participates in the Fayette County Civic Plaza established pursuant to Chapter 28E of the Code of Iowa between the City of West Union and Fayette County.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental 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 it to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the community and economic development function.

**(2) Cash and Pooled Investments**

The City's deposits in banks 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, Loan Agreement and Lease Payable**

Annual debt service requirements to maturity for general obligation bonds, the fire truck loan agreement and water revenue bonds are as follows:

| Year Ending June 30, | General Obligation Bonds |          | Fire Truck Loan Agreement |          | Water Revenue Bonds |          | Total     |          |
|----------------------|--------------------------|----------|---------------------------|----------|---------------------|----------|-----------|----------|
|                      | Principal                | Interest | Principal                 | Interest | Principal           | Interest | Principal | Interest |
| 2014                 | \$ 165,000               | 61,287   | 25,494                    | 913      | 45,000              | 45,088   | 235,494   | 107,288  |
| 2015                 | 165,000                  | 59,143   | -                         | -        | 45,000              | 43,625   | 210,000   | 102,768  |
| 2016                 | 170,000                  | 56,502   | -                         | -        | 45,000              | 42,162   | 215,000   | 98,664   |
| 2017                 | 175,000                  | 53,443   | -                         | -        | 50,000              | 40,700   | 225,000   | 94,143   |
| 2018                 | 180,000                  | 49,942   | -                         | -        | 50,000              | 39,075   | 230,000   | 89,017   |
| 2019-2023            | 1,020,000                | 175,115  | -                         | -        | 270,000             | 170,100  | 1,290,000 | 345,215  |
| 2024-2025            | 470,000                  | 24,390   | -                         | -        | 335,000             | 111,688  | 805,000   | 136,078  |
| 2029-2031            | -                        | -        | -                         | -        | 245,000             | 25,787   | 245,000   | 25,787   |
| Total                | \$ 2,345,000             | 479,822  | 25,494                    | 913      | 1,085,000           | 518,225  | 3,455,494 | 998,960  |

Revenue Bonds

Local option sales tax revenue bonds of \$1,100,000 were issued in June 2005 and the proceeds were used to construct the aquatic center. The bonds are payable solely from local option sales tax receipts through 2015. According to the local option sales tax election ballot, 80% of monthly local option sales tax receipts are to be used to pay the principal and interest due on the bonds. Therefore, there is no established repayment schedule. The total principal remaining to be paid on the bonds is \$177,935. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. For the current year, principal and interest paid were \$131,317 and \$10,040, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,175,000 of water revenue bonds issued in August 2011. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 77% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,603,225. For the current year,

principal and interest paid and total customer net receipts were \$91,550 and \$118,989, respectively.

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

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

For the year ended June 30, 2013, the City had not established the reserve account and did not make the required transfers to the sinking account.

Lease Purchase Agreement

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

| Year<br>Ending<br>June 30, | Principal  | Interest | Total   |
|----------------------------|------------|----------|---------|
| 2014                       | \$ 27,170  | 3,074    | 30,244  |
| 2015                       | 27,958     | 2,286    | 30,244  |
| 2016                       | 28,768     | 1,476    | 30,244  |
| 2017                       | 29,603     | 641      | 30,244  |
| Total                      | \$ 113,499 | 7,477    | 120,976 |

**(4) 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 \$59,573, \$53,010 and \$45,041, respectively, equal to the required contributions for each year.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 16 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$409 for single coverage and \$1,022 for family coverage for medical/prescription drug benefits. Currently, 14 employees pay \$102 per month for family coverage health benefits while the other two do not pay a monthly amount for coverage. For the year ended June 30, 2013, the City contributed \$174,899 and plan members eligible for benefits contributed \$18,593 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and floating holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and floating holiday hours payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

| Type of Benefit | Amount           |
|-----------------|------------------|
| Vacation        | \$ 53,000        |
| Holidays        | 5,000            |
| Total           | <u>\$ 58,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Interfund Transfers**

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

| Transfer to       | Transfer from          | Amount            |
|-------------------|------------------------|-------------------|
| Special Revenue:  | Special Revenue:       |                   |
| Employee Benefits | Local Option Sales Tax | \$ 18,735         |
| Capital Projects  | Local Option Sales Tax | 18,735            |
|                   | Enterprise:            |                   |
|                   | Water                  | 83,186            |
|                   |                        | <u>101,921</u>    |
| Debt Service      | Sewer                  | 50,000            |
| Total             |                        | <u>\$ 170,656</u> |

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

**(8) 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.

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

The City has a group insurance policy through Wellmark which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City provides for a fully insured benefit through Wellmark. The deductible is \$1,500 for single coverage and \$3,000 for family coverage. The employee is responsible for the first \$200 of the deductible for each eligible person, up to \$400 per family. The City subsidizes 60% of the remaining deductible.

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

The City pays employees for the eligible claims from the Special Revenue, Employee Benefits and Enterprise, Water and Sewer Funds. During the year ended June 30, 2013, the City paid \$17,427 to employees for claims.

**(10) Rebate Agreements**

The City has entered into ten rebate agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the participating companies in exchange for the construction or improvement of buildings. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to fifteen years beginning with the tax year in which the property tax on the completed value of the improvements are first paid. Certain agreements also require the company to certify specific employment requirements have been met. The total to be paid by the City under the agreements is not to exceed \$1,709,707. During the year ended June 30, 2013, the City rebated \$91,484 of incremental property tax to the participating companies. As of June 30, 2013, three projects have reached the maximum period, so the remaining balance outstanding on these agreements at June 30, 2013 was \$1,048,941.

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

One of the agreements is subject to an annual contribution and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining nine agreements do not include annual appropriation clauses and, accordingly, the entire outstanding principal balance of these agreements is subject to the constitutional debt limitation.

**(11) Deficit Balance**

The Debt Service Fund had a deficit balance of \$38,415 at June 30, 2013. The deficit balance was a result of claims exceeding receipts and tax collections. The deficit will be eliminated from future property tax receipts and corrective transfers, as necessary.

**(12) Contractual Commitments**

The City entered into various construction contracts for the Streetscape, Civic Plaza and Geothermal Well Field Construction projects totaling approximately \$8,324,000. The unpaid contract balances as of June 30, 2013 totaled approximately \$1,894,000, which will be paid as work on the projects progresses.

## **Other Information**

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

Other Information

Year ended June 30, 2013

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Less<br>Funds not<br>Required to<br>be Budgeted |
|---|---------------------------------|--------------------------------|---|
| Receipts:   |                                 |                                |   |
| Property tax  | \$ 1,108,806                    | -                              | -   |
| Tax increment financing   | 86,403                          | -                              | -   |
| Other city tax  | 214,583                         | -                              | -   |
| Licenses and permits  | 6,726                           | -                              | -   |
| Use of money and property   | 23,112                          | 643                            | 83  |
| Intergovernmental   | 3,203,699                       | -                              | -   |
| Charges for service   | 212,999                         | 696,822                        | -   |
| Miscellaneous   | 132,805                         | 3,597                          | 28,574  |
| Total receipts  | <u>4,989,133</u>                | <u>701,062</u>                 | <u>28,657</u>                                   |
| Disbursements:  |                                 |                                |   |
| Public safety   | 415,650                         | -                              | 37,871  |
| Public works  | 448,580                         | -                              | -   |
| Culture and recreation  | 568,297                         | -                              | -   |
| Community and economic development  | 162,853                         | -                              | -   |
| General government  | 146,692                         | -                              | -   |
| Debt service  | 250,089                         | -                              | -   |
| Capital projects  | 3,426,349                       | -                              | -   |
| Business type activities  | -                               | 648,621                        | -   |
| Total disbursements   | <u>5,418,510</u>                | <u>648,621</u>                 | <u>37,871</u>                                   |
| Excess (deficiency) of receipts<br>over (under) disbursements   | (429,377)                       | 52,441                         | (9,214)   |
| Other financing sources, net  | 133,186                         | (133,186)                      | -   |
| Excess (deficiency) of receipts and other financing<br>sources over (under) disbursements and other<br>financing uses | (296,191)                       | (80,745)                       | (9,214)   |
| Balances beginning of year  | 1,795,364                       | 708,325                        | 36,066  |
| Balances end of year  | <u>\$ 1,499,173</u>             | <u>627,580</u>                 | <u>26,852</u>                                   |

See accompanying independent auditor's report.

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| Total            | Budgeted Amounts |                  | Final to<br>Total<br>Variance |
|------------------|------------------|------------------|-------------------------------|
|                  | Original         | Final            |                               |
| 1,108,806        | 1,075,627        | 1,075,627        | 33,179                        |
| 86,403           | 86,221           | 86,221           | 182                           |
| 214,583          | 256,804          | 256,804          | (42,221)                      |
| 6,726            | 7,100            | 7,100            | (374)                         |
| 23,672           | 15,950           | 15,950           | 7,722                         |
| 3,203,699        | 5,667,272        | 5,683,017        | (2,479,318)                   |
| 909,821          | 1,000,590        | 1,000,590        | (90,769)                      |
| 107,828          | 52,038           | 57,333           | 50,495                        |
| <u>5,661,538</u> | <u>8,161,602</u> | <u>8,182,642</u> | <u>(2,521,104)</u>            |
| 377,779          | 390,800          | 390,800          | 13,021                        |
| 448,580          | 478,122          | 478,122          | 29,542                        |
| 568,297          | 561,366          | 619,192          | 50,895                        |
| 162,853          | 117,921          | 158,181          | (4,672)                       |
| 146,692          | 160,390          | 160,390          | 13,698                        |
| 250,089          | 250,491          | 250,491          | 402                           |
| 3,426,349        | 5,451,332        | 5,451,332        | 2,024,983                     |
| 648,621          | 682,850          | 682,850          | 34,229                        |
| <u>6,029,260</u> | <u>8,093,272</u> | <u>8,191,358</u> | <u>2,162,098</u>              |
| (367,722)        | 68,330           | (8,716)          | (359,006)                     |
| -                | 50,000           | 50,000           | (50,000)                      |
| (367,722)        | 118,330          | 41,284           | (409,006)                     |
| <u>2,467,623</u> | <u>1,939,250</u> | <u>1,939,250</u> | <u>528,373</u>                |
| <u>2,099,901</u> | <u>2,057,580</u> | <u>1,980,534</u> | <u>119,367</u>                |

City of West Union

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 blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$98,086. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the community and economic development function.

## **Supplementary Information**

City of West Union

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

As of and for the year ended June 30, 2013

|  | Special Revenue      |                                 |   |
|--|----------------------|---------------------------------|---|
|  | Employee<br>Benefits | Local<br>Option<br>Sales<br>Tax | West Union<br>Volunteer<br>Firefighters<br>Incorporated |
| Receipts:  |                      |                                 |   |
| Property tax   | \$ 253,830           | -                               | -   |
| Other city tax   | -                    | 176,696                         | -   |
| Use of money and property                                  | 8                    | 39                              | 83  |
| Charges for services                                       | -                    | -                               | -   |
| Miscellaneous  | -                    | -                               | 28,574  |
| Total receipts   | <u>253,838</u>       | <u>176,735</u>                  | <u>28,657</u>   |
| Disbursements:   |                      |                                 |   |
| Operating:   |                      |                                 |   |
| Public safety  | 90,091               | -                               | 37,871  |
| Public works   | 34,216               | -                               | -   |
| Culture and recreation                                     | 63,958               | 141,357                         | -   |
| General government   | 38,005               | -                               | -   |
| Debt service   | -                    | -                               | -   |
| Total disbursements  | <u>226,270</u>       | <u>141,357</u>                  | <u>37,871</u>   |
| Excess (deficiency) of receipts over (under) disbursements | <u>27,568</u>        | <u>35,378</u>                   | <u>(9,214)</u>  |
| Other financing sources (uses):                            |                      |                                 |   |
| Operating transfers in                                     | 18,735               | -                               | -   |
| Operating transfers out                                    | -                    | (37,470)                        | -   |
| Total other financing sources (uses)                       | <u>18,735</u>        | <u>(37,470)</u>                 | <u>-</u>  |
| Change in cash balances                                    | 46,303               | (2,092)                         | (9,214)   |
| Cash balances beginning of year                            | (15,833)             | 17,990                          | 36,066  |
| Cash balances end of year                                  | <u>\$ 30,470</u>     | <u>15,898</u>                   | <u>26,852</u>   |
| <b>Cash Basis Fund Balances</b>                            |                      |                                 |   |
| Nonspendable - Cemetery                                    | \$ -                 | -                               | -   |
| Restricted for other purposes                              | 30,470               | 15,898                          | 26,852  |
| Unassigned   | -                    | -                               | -   |
| Total cash basis fund balances                             | <u>\$ 30,470</u>     | <u>15,898</u>                   | <u>26,852</u>   |

See accompanying independent auditor's report.

| Debt Service | Permanent               |                    | Total    |
|--------------|-------------------------|--------------------|----------|
|              | Cemetery Perpetual Care | Cemetery Mausoleum |          |
| 201,894      | -                       | -                  | 455,724  |
| -            | -                       | -                  | 176,696  |
| 1,705        | 381                     | 52                 | 2,268    |
| -            | 850                     | -                  | 850      |
| -            | -                       | -                  | 28,574   |
| 203,599      | 1,231                   | 52                 | 664,112  |
| -            | -                       | -                  | 127,962  |
| -            | -                       | -                  | 34,216   |
| -            | -                       | -                  | 205,315  |
| -            | -                       | -                  | 38,005   |
| 250,089      | -                       | -                  | 250,089  |
| 250,089      | -                       | -                  | 655,587  |
| (46,490)     | 1,231                   | 52                 | 8,525    |
| 50,000       | -                       | -                  | 68,735   |
| -            | -                       | -                  | (37,470) |
| 50,000       | -                       | -                  | 31,265   |
| 3,510        | 1,231                   | 52                 | 39,790   |
| (41,925)     | 79,567                  | 10,369             | 86,234   |
| (38,415)     | 80,798                  | 10,421             | 126,024  |
| -            | 80,798                  | 10,421             | 91,219   |
| -            | -                       | -                  | 73,220   |
| (38,415)     | -                       | -                  | (38,415) |
| (38,415)     | 80,798                  | 10,421             | 126,024  |

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

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| Obligation                | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------|---------------|----------------|--------------------------|
| General obligation bonds: |               |                |                          |
| Corporate purpose         | Nov 3, 2010   | 0.75 - 3.50%   | \$ 2,665,000             |
| Loan agreement:           |               |                |                          |
| Fire truck                | Jan 20, 2009  | 4.75%          | \$ 115,000               |
| Revenue bonds:            |               |                |                          |
| Local option sales tax    | Jun 27, 2005  | 4.00%          | \$ 1,100,000             |
| Water                     | Aug 16, 2011  | 3.25 - 5.25    | 1,175,000                |
| Total                     |               |                |                          |
| Lease purchase agreement: |               |                |                          |
| Police vehicles           | Apr 22, 2013  | 2.88%          | \$ 113,499               |

See accompanying independent auditor's report.

| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 2,505,000                       | -                        | 160,000                    | 2,345,000                 | 62,887           |
| 50,083                          | -                        | 24,589                     | 25,494                    | 2,013            |
| 309,252                         | -                        | 131,317                    | 177,935                   | 10,040           |
| 1,130,000                       | -                        | 45,000                     | 1,085,000                 | 46,550           |
| \$ 1,439,252                    | -                        | 176,317                    | 1,262,935                 | 56,590           |
| -                               | 113,499                  | -                          | 113,499                   | -                |

**City of West Union**

City of West Union  
Bond and Loan Maturities  
June 30, 2013

| Year<br>Ending<br>June 30, | General Obligation Bonds       |                     | Fire Truck          |                  | Water               |                     |
|----------------------------|--------------------------------|---------------------|---------------------|------------------|---------------------|---------------------|
|                            | Corporate Purpose, Series 2010 |                     | Loan Agreement      |                  | Revenue Bonds       |                     |
|                            | Issued Nov 3, 2010             |                     | Issued Jan 20, 2009 |                  | Issued Aug 16, 2011 |                     |
|                            | Interest<br>Rates              | Amount              | Interest<br>Rates   | Amount           | Interest<br>Rates   | Amount              |
| 2014                       | 1.30%                          | \$ 165,000          | 4.75%               | 25,494           | 3.25%               | \$ 45,000           |
| 2015                       | 1.60                           | 165,000             | -                   | -                | 3.25                | 45,000              |
| 2016                       | 1.80                           | 170,000             | -                   | -                | 3.25                | 45,000              |
| 2017                       | 2.00                           | 175,000             | -                   | -                | 3.25                | 50,000              |
| 2018                       | 2.30                           | 180,000             | -                   | -                | 3.25                | 50,000              |
| 2019                       | 2.50                           | 190,000             | -                   | -                | 3.25                | 50,000              |
| 2020                       | 2.75                           | 195,000             | -                   | -                | 3.25                | 50,000              |
| 2021                       | 3.00                           | 205,000             | -                   | -                | 3.25                | 55,000              |
| 2022                       | 3.10                           | 210,000             | -                   | -                | 4.00                | 55,000              |
| 2023                       | 3.20                           | 220,000             | -                   | -                | 4.00                | 60,000              |
| 2024                       | 3.30                           | 230,000             | -                   | -                | 4.00                | 60,000              |
| 2025                       | 3.50                           | 240,000             | -                   | -                | 4.50                | 65,000              |
| 2026                       |                                | -                   | -                   | -                | 4.50                | 65,000              |
| 2027                       |                                | -                   | -                   | -                | 4.50                | 70,000              |
| 2028                       |                                | -                   | -                   | -                | 5.00                | 75,000              |
| 2029                       |                                | -                   | -                   | -                | 5.00                | 80,000              |
| 2030                       |                                | -                   | -                   | -                | 5.25                | 80,000              |
| 2031                       |                                | -                   | -                   | -                | 5.25                | 85,000              |
| Total                      |                                | <u>\$ 2,345,000</u> |                     | <u>\$ 25,494</u> |                     | <u>\$ 1,085,000</u> |

See accompanying independent auditor's report.

City of West Union

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

For the Last Ten Years

|                                    | 2013                | 2012             | 2011             | 2010             |
|------------------------------------|---------------------|------------------|------------------|------------------|
| <b>Receipts:</b>                   |                     |                  |                  |                  |
| Property tax                       | \$ 1,108,806        | 1,062,966        | 733,575          | 749,031          |
| Tax increment financing            | 86,403              | 161,930          | 212,149          | 108,250          |
| Other city tax                     | 214,583             | 223,283          | 220,684          | 184,786          |
| Licenses and permits               | 6,726               | 6,879            | 8,360            | 6,255            |
| Use of money and property          | 23,112              | 23,953           | 19,496           | 23,960           |
| Intergovernmental                  | 3,203,699           | 3,222,738        | 476,870          | 250,641          |
| Charges for service                | 212,999             | 245,055          | 212,746          | 201,360          |
| Miscellaneous                      | 132,805             | 192,662          | 110,978          | 425,427          |
| <b>Total</b>                       | <b>\$ 4,989,133</b> | <b>5,139,466</b> | <b>1,994,858</b> | <b>1,949,710</b> |
| <b>Disbursements:</b>              |                     |                  |                  |                  |
| <b>Operating:</b>                  |                     |                  |                  |                  |
| Public safety                      | \$ 415,650          | 355,167          | 331,157          | 369,303          |
| Public works                       | 448,580             | 623,289          | 457,949          | 513,331          |
| Health and social services         | -                   | -                | -                | 396              |
| Culture and recreation             | 568,297             | 562,778          | 358,602          | 524,056          |
| Community and economic development | 162,853             | 143,280          | 308,356          | 107,027          |
| General government                 | 146,692             | 141,128          | 109,730          | 120,497          |
| Debt service                       | 250,089             | 251,515          | 64,236           | 26,602           |
| Capital projects                   | 3,426,349           | 2,895,476        | 2,071,268        | 423,717          |
| <b>Total</b>                       | <b>\$ 5,418,510</b> | <b>4,972,633</b> | <b>3,701,298</b> | <b>2,084,929</b> |

See accompanying independent auditor's report.

| 2009             | 2008             | 2007             | 2006             | 2005             | 2004             |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 689,561          | 715,513          | 681,350          | 659,001          | 594,144          | 581,750          |
| 100,928          | 74,853           | 64,304           | 47,681           | 189,400          | 178,698          |
| 210,615          | 200,105          | 211,504          | 168,635          | 166,190          | 192,585          |
| 7,565            | 6,515            | 6,319            | 8,191            | 8,135            | 7,526            |
| 32,328           | 40,890           | 39,305           | 31,790           | 13,818           | 11,419           |
| 316,183          | 674,719          | 225,086          | 224,156          | 225,764          | 257,676          |
| 222,188          | 205,464          | 189,212          | 193,760          | 189,794          | 144,773          |
| 55,917           | 44,990           | 151,144          | 81,265           | 700,583          | 130,341          |
| <u>1,635,285</u> | <u>1,963,049</u> | <u>1,568,224</u> | <u>1,414,479</u> | <u>2,087,828</u> | <u>1,504,768</u> |

|                  |                  |                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 627,563          | 334,739          | 291,880          | 311,015          | 248,540          | 278,575          |
| 577,220          | 836,787          | 500,268          | 415,784          | 358,248          | 362,200          |
| 351              | 360              | 334              | 316              | 338              | 280              |
| 465,741          | 424,953          | 426,178          | 390,888          | 250,716          | 318,031          |
| 81,080           | 60,232           | 59,299           | 313,880          | 135,380          | 18,055           |
| 110,379          | 119,533          | 103,449          | 117,047          | 105,794          | 117,976          |
| -                | 1,053            | 26,115           | 69,244           | 234,560          | 339,885          |
| 80,839           | 62,900           | 130,425          | 164,549          | 1,171,332        | 480,316          |
| <u>1,943,173</u> | <u>1,840,557</u> | <u>1,537,948</u> | <u>1,782,723</u> | <u>2,504,908</u> | <u>1,915,318</u> |

City of West Union  
 Schedule of Federal Financial Assistance  
 Year ended June 30, 2013

| Grantor/Program  | CFDA<br>Number | Agency<br>Pass-through<br>Number | Program<br>Expenditures |
|--|----------------|----------------------------------|-------------------------|
| Direct:  |                |                                  |                         |
| U.S. Environmental Protection Agency:  |                |                                  |                         |
| Climate Showcase Communities Grant Program   | 66.041         | AF-83452001-0                    | \$ 238,211              |
| U.S. Department of Energy:   |                |                                  |                         |
| Energy Efficiency and Conservation Block<br>Grant Program (EECBG)                          | 81.128         | DE-EE0003804/000                 | <u>649,694</u>          |
| Total Direct   |                |                                  | <u>887,905</u>          |
| Indirect:  |                |                                  |                         |
| U.S. Department of Housing and Urban Development:  |                |                                  |                         |
| Iowa Economic Development Authority:   |                |                                  |                         |
| Community Development Block Grants/State's<br>program and Non-Entitlement Grants in Hawaii | 14.228         | 09-OT-002                        | 67,506                  |
| Community Development Block Grants/State's<br>program and Non-Entitlement Grants in Hawaii | 14.228         | 09-DTR-002                       | <u>66,945</u>           |
| Total Indirect   |                |                                  | <u>134,451</u>          |
| Total  |                |                                  | <u>\$ 1,022,356</u>     |

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of West Union and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of West Union's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 through II-D-13 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Union's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in 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, 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 Union's Responses to the Findings

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

#### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 15, 2014

**City of West Union**

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133**



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Mary Mosiman, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of West Union, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of West Union's major federal program for the year ended June 30, 2013. The City of West Union's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of West Union's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of West Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of West Union's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of West Union complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the City of West Union is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of West Union's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of West Union's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph off this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 15, 2014

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

- (a) Unmodified opinions were 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) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA 81.128 – Energy Efficiency and Conservation Block Grant Program (EECBG).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of West Union did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One or two individuals identified may have control over the following areas for which no compensating controls exist:

- Accounting system – performing all general accounting functions, including journal entries and having custody of the City’s assets.
- Cash – handling petty cash, collecting, depositing, reconciling, posting and signing checks.
- Bank reconciliations – preparation, review and approval.
- Long-term debt – maintaining agreements, reconciling and signing checks.
- Receipts – collecting and recording.
- Utility receipts – billing, collecting and posting.

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

Response – The City Administrator reviews all disbursements as the checks are signed. Petty cash has a spreadsheet used by the Deputy City Clerk and the Administrator by which cash in and out is verified by the other employee. All others are covered by system generated reports which are seen by both employees.

Conclusion – Response accepted.

II-B-13 Journal Entries – Journal entries were not reviewed and approved by an independent person.

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

Response – Most journal entries are for NSF checks or corrections in the system, which are done with staff from Data Tech assisting for correcting entries.

Conclusion – Response accepted.

II-C-13 Segregation of Duties – West Union Volunteer Firefighters – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the financial statements. For the West Union Volunteer Firefighters:

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Recommendation – We realize segregation of duties is difficult with a limited number of available individuals. However, the West Union Volunteer Firefighters should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members.

Response – The Firefighters are currently reviewing the procedures and will add this review.

Conclusion – Response accepted.

- II-D-13 Credit Cards – The City has credit cards for use by employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges. Supporting documentation for all credit card charges should be retained.

Response – Resolution has been put into place, pending Council approval.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the community and economic development 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Notes to review and amend the budget as necessary have been recorded for the procedure to be done next fiscal year.

Conclusion – Response accepted.

IV-B-13 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.

IV-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-13 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.

IV-F-13 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-13 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.

IV-H-13 Revenue Bonds – The City has established a water revenue bond sinking account, but monthly transfers required by the water revenue bond resolution were not made during the fiscal year. In addition, the City has not established the required reserve account.

Recommendation – The City should make the necessary transfers and establish the revenue bond reserve account as required by the water revenue bond resolution.

Response – Procedures will be put in place to make the required transfers and the reserve account will be established.

Conclusion – Response accepted.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

IV-I-13 Financial Condition – The Debt Service Fund had a deficit balance of \$38,415 at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response – Transactions to correct the deficit fund balance will be made after review by the City Administrator.

Conclusion – Response accepted.

IV-J-13 Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management before December 1. However, the amounts reported did not agree to the City's records.

Recommendation – The City should ensure the annual urban renewal report agrees to the City's records.

Response – We will look into the differences and correct the items on the next year's report.

Conclusion – Response accepted.

City of West Union

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Kelly L. Hilton, Senior Auditor  
Trent M. Mussman, Assistant Auditor  
Corey M. Vannausdle, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State