

City of West Burlington

**Independent Auditor's Report
Management's Discussion and Analysis
Financial Statements and Supplementary Information
Independent Auditor's Report on Internal Control and Compliance
Schedule of Findings**

June 30, 2014

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City of West Burlington

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hans Trousil	Mayor	December, 2015
Rod Crowner	Council Member	December, 2015
Therese Lees	Council Member	December, 2015
Richard Raleigh	Council Member	December, 2015
Kara Steward	Council Member	December, 2017
Doug Ervine	Council Member	December, 2017
Dan Gifford	City Administrator	Not Elected
Leslie Sattler	Finance Officer	Not Elected
Kelly Fry	City Clerk	Not Elected



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of West Burlington, Iowa

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 Burlington, Iowa (City), as of and for the year ended June 30, 2014, and the related notes to the 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 presentation 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 auditing standards generally accepted in the United States of America 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 for the primary government of the City as of June 30, 2014, 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 accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 twelve years ended June 30, 2013 (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 supplementary information included in Schedules 1 through 5 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 auditing standards generally accepted in the United States of America. 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 4 through 10 and 25 through 26, 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 November 5, 2014 on our consideration of the City'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 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's internal control over financial reporting and compliance.

CPA Associates PC

November 5, 2014

City of West Burlington Management's Discussion and Analysis

The City of West Burlington (City) 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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 62%, or \$3,335,243, from fiscal 2013 to fiscal 2014. Bond proceeds of \$3,750,000 were received in fiscal 2014.
- Disbursements of the City's governmental activities increased 30%, or \$1,669,858, from fiscal 2013 to fiscal 2014. Capital projects increased \$1,421,546 in fiscal 2014.
- The City's total cash basis net position increased 76%, or \$1,580,765, from June 30, 2013 to June 30, 2014.

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 Statements 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 to the City's budget for the year.
- Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

City of West Burlington Management's Discussion and Analysis

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 accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Sales Tax and TIF, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Other Nonmajor Governmental 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.

**City of West Burlington
Management's Discussion and Analysis**

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for water and sewer, 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from \$1,466,426 to \$2,970,315. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for services	\$ 446,737	\$ 552,329
Operating grants, contributions and restricted interest	459,994	446,094
Capital grants, contributions and restricted interest	-	65,848
General receipts:		
Property tax	3,253,912	3,318,932
Local option sales tax	466,917	454,916
Use of money and property	62,483	45,382
Other general receipts	252,979	224,278
Bond proceeds	<u>3,750,000</u>	<u>250,000</u>
Total receipts	<u>8,693,022</u>	<u>5,357,779</u>
Disbursements:		
Public safety	1,438,324	1,380,290
Public works	654,838	566,216
Culture and recreation	269,561	263,077
Community and economic development	360,794	629,285
General government	483,841	419,724
Debt service	1,794,246	1,494,700
Capital projects	<u>2,151,287</u>	<u>729,741</u>
Total disbursements	<u>7,152,891</u>	<u>5,483,033</u>
Change in cash basis net position before transfers	1,540,131	(125,254)
Transfers net	<u>(36,242)</u>	<u>(178,278)</u>
Change in cash basis net position	1,503,889	(303,532)
Cash basis net position beginning of year	<u>1,466,426</u>	<u>1,769,958</u>
Cash basis net position end of year	<u>\$ 2,970,315</u>	<u>\$ 1,466,426</u>

**City of West Burlington
Management's Discussion and Analysis**

The City's total receipts for governmental activities increased by 62%, or \$3,335,243. This was mainly due to bond proceeds of \$3,750,000 for the construction of the new public works facility. The total cost of all programs and services increased by \$1,669,858 or 30%, with no new programs added this year.

The cost of all governmental activities this year was \$7,152,891 compared to \$5,483,033 last year. However, as shown in the Statement of Activities and Net Position on page 11, the amount taxpayers ultimately financed for these activities was \$6,246,160 because some of the cost was paid by those who directly benefited from the programs by (\$446,737) or by other governments and organizations that subsidized certain programs with grants and contributions by (\$459,994). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal 2014 from \$1,064,271 to \$906,731.

Changes in Cash Basis Net Position of Business Type Activities	Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 844,786	\$ 797,483
Sewer	610,785	561,792
General receipts:		
Unrestricted investment earnings	-	252
Miscellaneous receipts	<u>30,823</u>	<u>30,955</u>
Total receipts	<u>1,486,394</u>	<u>1,390,482</u>
Disbursements:		
Water	886,835	820,349
Sewer	<u>558,925</u>	<u>507,036</u>
Total disbursements	<u>1,445,760</u>	<u>1,327,385</u>
Change in cash basis net position before transfer	40,634	63,097
Transfers, net	<u>36,242</u>	<u>178,278</u>
Change in cash basis net position	76,876	241,375
Cash basis net position beginning of year	<u>608,957</u>	<u>367,582</u>
Cash basis net position end of year	<u>\$ 685,833</u>	<u>\$ 608,957</u>

Total business type activities receipts for the fiscal year were \$1,486,394 compared to \$1,390,482 last year. The cash balance increased by \$76,876. Total disbursements for the fiscal year increased by 9%. Revenues were increased in both water and sewer due to rate increases in fiscal 2014. Sewer expenditures increased due to equipment purchases of \$63,000 in fiscal 2014.

**City of West Burlington
Management's Discussion and Analysis**

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$2,899,817, increase of \$1,496,292 from last year's total of \$1,403,525. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$511,897, an increase of \$179,317 from the prior year. The increase was the result of repayment of internal loans borrowing for projects of \$435,000 and the spend down of reserves of \$255,000.
- The Special Revenue, Road Use Tax Fund cash balance decreased by \$27,197 to \$66,347 during the fiscal year. Revenues were \$18,026 over budget due to conservative budgeting and population adjustment. The State had projected for Cities to receive \$96.50 per capita and the City budgeted \$94 per capita. In prior years, the State has reimbursed a lower amount than originally projected.
- The Special Revenue, Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. This year the City transferred 55% of these Local Option Sales Tax revenues to the General Fund. The City is required to use 25% of the Local Option Sales Tax proceeds for property tax relief to pay off outstanding general obligation debt. The remainder is used to pay for capital projects, equipment, library services ambulance service, and to make airport authority payments.
- The Special Revenue, Tax Increment Financing collections (TIF) decreased by \$113,975 to \$257,018 during the fiscal year due to receiving less in property tax revenue than budgeted.
- The Capital Projects Fund cash balance increased by \$1,394,308 to \$1,639,123 during the fiscal year. The majority of this increase is due to the City issuing GO Bonds for \$3,750,000 for a new public works facility and spending approximately \$2,000,000 for the construction in fiscal 2014. This project will be completed in fiscal 2015.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Service Fund cash balance increased \$63,236 to \$305,682, due to the repayment of an internal loan of \$65,400. Operating receipts over operating disbursements were in excess of \$44,174.
- The Sewer Service Fund cash balance increased \$23,357 to \$166,713 during the fiscal year. In fiscal 2013, the City initiated a fee of \$1.50 per sewer user to go into a sewer capital project account. The fee was increased to \$2.00 in fiscal 2014. The city collected \$41,200 during the year related to this new fee.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 7, 2014 and resulted in an increase in revenues of \$260,849 and an increase in disbursements of \$452,344. Revenue increases included intergovernmental, charges for services, tax increment financing collections and miscellaneous. Expenditure increases included public safety, public works, general government, capital projects, culture and recreation, business type activities, community and economic development and debt service.

**City of West Burlington
Management's Discussion and Analysis**

DEBT ADMINISTRATION

At June 30, 2014, the City had \$6,404,000 in bonds and other long-term debt, compared to \$4,322,000 last year, as shown below.

Outstanding Debt at Year End	June 30,	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 6,124,000	\$ 4,026,000
Water revenue loan	<u>280,000</u>	<u>296,000</u>
Total	<u>\$ 6,404,000</u>	<u>\$ 4,322,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's general obligation debt of \$6,124,000 and tax increment financing rebate agreements of \$839,401 brings the City's combined outstanding GO and TIF debt to \$6,963,401, which is below its constitutional debt limit of approximately \$10.99 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and fees that will be charged for various City activities. Those factors included the economy, employment rates, operating expenses, capital projects and increases in service and state mandates. Unemployment in the County now stands at 5.3% versus 6.4% a year ago. These indicators were taken into account when adopting the budget for fiscal 2015.

In fiscal 2015, receipts are projected to decrease by 40% or approximately \$5,300,000 and disbursements are projected to decrease by 35% or approximately \$4,680,000. The decrease in revenue and expenditures is due to the construction of a new public works building that was budgeted in fiscal 2014 and decrease in debt service payments of \$865,000 for fiscal 2015. Usage rates were also increased for water 3%, sewer 17%, and garbage and recycling. Iowa DNR is mandating improvements to the City's wastewater plant which will result in costly improvements to the plant. The City will find it necessary to make significant increases in sewer rates to cover the mandated upgrades in future years.

The City increased the property tax levy from \$9.75 to \$10.10 per \$1,000 of taxable assessed valuation. The general fund expenditures are projected to exceed revenues by approximately \$50,000, not including internal loan revenue repayments of \$31,500. The City has enough reserves to cover the projected deficit. Water expenditures are projected to exceed revenue by \$34,500. This does not include internal loan revenue payments of \$106,956 and a transfer to the water equipment account of \$10,000. Sewer expenditures are projected to exceed revenue by \$19,500 which does not include a \$10,000 transfer to sewer capital equipment.

The local option sales tax balance is projected to decrease by \$4,500. Projected TIF debt service revenues are \$1,120,000 with expenditures of \$1,010,000. The road use fund is projected to be spent down by \$18,000. There are sufficient reserves in these funds to cover operating deficits.

**City of West Burlington
Management's Discussion and Analysis**

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. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Dan Gifford, City Administrator, City of West Burlington, 122 Broadway, West Burlington, Iowa 52655.

BASIC FINANCIAL STATEMENTS

City of West Burlington
Cash Basis Statement of Activities and Net Position
As of and for the Year Ended June 30, 2014

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,438,324	\$ 83,026	\$ 155,342	\$ -	\$ (1,199,956)	\$ -	\$ (1,199,956)
Public works	654,838	178,414	302,257	-	(174,167)	-	(174,167)
Culture and recreation	269,561	84,130	33	-	(185,398)	-	(185,398)
Community and economic development	360,794	100,557	-	-	(260,237)	-	(260,237)
General government	483,841	610	2,362	-	(480,869)	-	(480,869)
Debt service	1,794,246	-	-	-	(1,794,246)	-	(1,794,246)
Capital projects	<u>2,151,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,151,287)</u>	<u>-</u>	<u>(2,151,287)</u>
Total governmental activities	<u>7,152,891</u>	<u>446,737</u>	<u>459,994</u>	<u>-</u>	<u>(6,246,160)</u>	<u>-</u>	<u>(6,246,160)</u>
Business type activities:							
Water	886,835	844,786	-	-	-	(42,049)	(42,049)
Sewer	<u>558,925</u>	<u>610,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,860</u>	<u>51,860</u>
Total business type activities	<u>1,445,760</u>	<u>1,455,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,811</u>	<u>9,811</u>
Total	<u>\$ 8,598,651</u>	<u>\$ 1,902,308</u>	<u>\$ 459,994</u>	<u>\$ -</u>	<u>(6,246,160)</u>	<u>9,811</u>	<u>(6,236,349)</u>
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					1,062,305	-	1,062,305
Tax increment financing					2,191,607	-	2,191,607
Local option sales tax					466,917	-	466,917
Unrestricted interest on investments					62,483	-	62,483
Bond proceeds					3,750,000	-	3,750,000
Transfers					(36,242)	36,242	-
Miscellaneous					<u>252,979</u>	<u>30,823</u>	<u>283,802</u>
Total general receipts and transfers					<u>7,750,049</u>	<u>67,065</u>	<u>7,817,114</u>
Change in cash basis net position					1,503,889	76,876	1,580,765
Cash basis net position beginning of year					<u>1,466,426</u>	<u>608,957</u>	<u>2,075,383</u>
Cash basis net position end of year					<u>\$ 2,970,315</u>	<u>\$ 685,833</u>	<u>\$ 3,656,148</u>
Cash Basis Net Position							
Restricted:							
Expendable					\$ 2,152,999	\$ 196,302	\$ 2,349,301
Unrestricted					<u>817,316</u>	<u>489,531</u>	<u>1,306,847</u>
Total cash basis net position					<u>\$ 2,970,315</u>	<u>\$ 685,833</u>	<u>\$ 3,656,148</u>

See notes to financial statements.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2014

	General	Special Revenue					Debt/Service	Capital Projects	Other Nonmajor Governmental	Total
		Road Use Tax	Sales Tax	TIF						
Receipts:										
Property tax	\$ 861,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153,993	\$ 1,015,825	
Tax increment financing	-	-	-	2,191,607	-	-	-	-	2,191,607	
Other city tax	15,377	-	466,917	-	-	-	-	31,103	513,397	
Use of money and property	38,323	-	-	7,748	-	-	16,412	-	62,483	
License and permits	70,149	-	-	-	-	-	-	-	70,149	
Intergovernmental	206,914	302,257	-	-	-	-	-	-	509,171	
Charges for services	242,033	-	-	-	-	-	-	-	242,033	
Miscellaneous	215,331	-	-	-	-	-	-	123,025	338,356	
Total receipts	<u>1,649,959</u>	<u>302,257</u>	<u>466,917</u>	<u>2,199,355</u>	<u>-</u>	<u>-</u>	<u>16,412</u>	<u>308,121</u>	<u>4,943,021</u>	
Disbursements:										
Operating:										
Public safety	1,398,453	-	28,355	-	-	-	22,346	-	1,449,154	
Public works	311,439	301,125	22,540	-	-	-	11,846	-	646,950	
Culture and recreation	224,007	-	-	-	-	-	-	45,554	269,561	
Community and economic development	2,787	-	-	358,007	-	-	-	-	360,794	
General government	357,512	-	-	-	-	1,794,246	6,566	-	488,495	
Debt service	-	-	-	-	-	-	-	-	1,794,246	
Capital projects	-	28,329	896	55,880	-	-	2,066,182	-	2,151,287	
Total disbursements	<u>2,294,198</u>	<u>329,454</u>	<u>51,791</u>	<u>413,887</u>	<u>-</u>	<u>1,794,246</u>	<u>2,106,940</u>	<u>169,971</u>	<u>7,160,487</u>	
Excess (deficiency) of receipts over disbursements	(644,239)	(27,197)	415,126	1,785,468	-	(1,794,246)	(2,090,528)	138,150	(2,217,466)	
Other financing sources (uses):										
Bond proceeds	-	-	-	-	-	-	3,750,000	-	3,750,000	
Operating transfers in (out)	823,556	-	(358,068)	(1,899,443)	-	1,794,246	(265,154)	(131,369)	(36,242)	
Net change in cash balances	179,317	(27,197)	57,058	(113,975)	-	-	1,394,308	6,781	1,496,292	
Cash balances beginning of year	332,580	93,544	262,840	370,993	-	-	244,815	98,753	1,403,525	
Cash balances end of year	<u>\$ 511,897</u>	<u>\$ 66,347</u>	<u>\$ 319,898</u>	<u>\$ 257,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,639,123</u>	<u>\$ 105,534</u>	<u>\$ 2,899,817</u>	
Cash Basis Fund Balances										
Restricted	\$ -	\$ 66,347	\$ 319,898	\$ 257,018	\$ -	\$ -	\$ -	\$ 18,806	\$ 662,069	
Committed	7,476	-	-	-	-	-	1,483,454	-	1,490,930	
Assigned	-	-	-	-	-	-	155,669	86,728	242,397	
Unassigned	504,421	-	-	-	-	-	-	-	504,421	
Total cash basis fund balances	<u>\$ 511,897</u>	<u>\$ 66,347</u>	<u>\$ 319,898</u>	<u>\$ 257,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,639,123</u>	<u>\$ 105,534</u>	<u>\$ 2,899,817</u>	

See notes to financial statements.

City of West Burlington
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position
Governmental Funds
As of and for the Year Ended June 30, 2014

Total governmental funds cash balances (page 12) \$ 2,899,817

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

70,498

Cash basis net position of governmental activities (page 11) \$ 2,970,315

Change in cash balances (page 12) \$ 1,496,292

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to the individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

7,597

Change in cash basis net position of governmental activities (page 11) \$ 1,503,889

See notes to financial statements.

City of West Burlington
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2014

	Enterprise Funds					Total	Internal Service
	Water Service	Water Equipment Reserve	Sewer Service	Sewer Equipment Reserve	Nonmajor Enterprise Fund		Employee Health
Operating Receipts:							
Charges for services	\$ 844,786	\$ -	\$ 610,785	\$ -	\$ -	\$ 1,455,571	\$ 86,600
Total operating receipts	<u>844,786</u>	<u>-</u>	<u>610,785</u>	<u>-</u>	<u>-</u>	<u>1,455,571</u>	<u>86,600</u>
Operating Disbursements:							
Governmental activities:							
Public safety	-	-	-	-	-	-	26,810
Public works	-	-	-	-	-	-	16,831
General government	-	-	-	-	-	-	4,538
Business type activities	<u>800,612</u>	<u>-</u>	<u>488,968</u>	<u>-</u>	<u>13,979</u>	<u>1,303,559</u>	<u>20,756</u>
Total operating disbursements	<u>800,612</u>	<u>-</u>	<u>488,968</u>	<u>-</u>	<u>13,979</u>	<u>1,303,559</u>	<u>68,935</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>44,174</u>	<u>-</u>	<u>121,817</u>	<u>-</u>	<u>(13,979)</u>	<u>152,012</u>	<u>17,665</u>
Non-operating receipts (disbursements):							
Interest on investments	-	-	-	-	-	-	-
Miscellaneous	7,142	-	5,950	-	17,731	30,823	-
Debt service	(25,620)	-	-	-	-	(25,620)	-
Capital projects	<u>-</u>	<u>(50,252)</u>	<u>(69,831)</u>	<u>(6,566)</u>	<u>-</u>	<u>(126,649)</u>	<u>-</u>
Net non-operating receipts (disbursements)	<u>(18,478)</u>	<u>(50,252)</u>	<u>(63,881)</u>	<u>(6,566)</u>	<u>17,731</u>	<u>(121,446)</u>	<u>-</u>
Excess of receipts over disbursements	25,696	(50,252)	57,936	(6,566)	3,752	30,566	17,665
Transfers in (out)	<u>37,540</u>	<u>20,000</u>	<u>(34,579)</u>	<u>10,000</u>	<u>3,281</u>	<u>36,242</u>	<u>-</u>
Change in cash balances	63,236	(30,252)	23,357	3,434	7,033	66,808	17,665
Cash balances beginning of year	<u>242,446</u>	<u>85,768</u>	<u>143,356</u>	<u>9,256</u>	<u>118,971</u>	<u>599,797</u>	<u>72,061</u>
Cash balances end of year	<u>\$ 305,682</u>	<u>\$ 55,516</u>	<u>\$ 166,713</u>	<u>\$ 12,690</u>	<u>\$ 126,004</u>	<u>\$ 666,605</u>	<u>\$ 89,726</u>
Cash Basis Fund Balances							
Restricted for other purposes	\$ -	\$ 55,516	\$ -	\$ 12,690	\$ 126,004	\$ 194,210	\$ -
Restricted for debt service	2,092	-	-	-	-	2,092	-
Unrestricted	<u>303,590</u>	<u>-</u>	<u>166,713</u>	<u>-</u>	<u>-</u>	<u>470,303</u>	<u>89,726</u>
Total cash basis fund balances	<u>\$ 305,682</u>	<u>\$ 55,516</u>	<u>\$ 166,713</u>	<u>\$ 12,690</u>	<u>\$ 126,004</u>	<u>\$ 666,605</u>	<u>\$ 89,726</u>

See notes to financial statements.

City of West Burlington
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position
Proprietary Funds
As of and for the Year Ended June 30, 2014

Total enterprise funds cash balances (page 14) \$ 666,605

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

19,228

Cash basis net position of business type activities (page 11) \$ 685,833

Change in cash balances (page 14) \$ 66,808

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

10,068

Change in cash basis net position of business type activities (page 11) \$ 76,876

See notes to financial statements.

City of West Burlington
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of West Burlington (City) is a political subdivision of the State of Iowa located in Des Moines County. It was first incorporated in 1884 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City 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 (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the GASB criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission and Southeast Iowa Regional Airport Authority Board. See Note 10 for details. Both of these organizations have financial statements available at City Hall.

The City officials are also members of the following: 28E purchasing arrangements, regional planning commission, E911 joint service boards, Southeast Iowa area safety support organizations, ambulance associations, and the drug task force.

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 services. 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:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position. This category includes the restricted and committed governmental cash basis fund balances.

City of West Burlington
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified. This includes assigned and unassigned governmental cash basis fund balances.

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 and other 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 that are not paid from other funds.

Special Revenue:

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

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

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum to be used for capital improvements, equipment and community programs and services.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

City of West Burlington
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

The Enterprise, Water Equipment Reserve account consists of funds set aside for major equipment purchases for the water department.

The Enterprise, Sewer Equipment Reserve account consists of funds set aside for major equipment purchases for the sewer department.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

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 accounting principles generally accepted in the United States of America.

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 is 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.

Governmental Cash Basis Fund Balances

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

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

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, such as a resolution or ordinance approved by the Council.

**City of West Burlington
Notes to Financial Statements**

Note 1. Summary of Significant Accounting Policies (continued)

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

Subsequent Events

The City performed an evaluation of subsequent events through November 5, 2014, which is the date the financial statements were issued. There were no subsequent events that required disclosure or recognition in the financial statements as of June 30, 2014.

Note 2. Cash and Investments

The City's deposits in banks at June 30, 2014 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 GASB No. 40.

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and the water revenue note are as follows:

Year Ending June 30.	General Obligation Bonds		Water Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 798,000	\$ 132,545	\$ 16,000	\$ 8,400	\$ 814,000	\$ 140,945
2016	888,000	116,030	17,000	7,920	905,000	123,950
2017	974,000	97,528	17,000	7,410	991,000	104,938
2018	1,034,000	76,995	18,000	6,900	1,052,000	83,895
2019	1,050,000	55,375	19,000	6,360	1,069,000	61,735
2020-2024	1,280,000	55,705	101,000	23,040	1,381,000	78,745
2025-2028	<u>100,000</u>	<u>7,590</u>	<u>92,000</u>	<u>6,990</u>	<u>192,000</u>	<u>14,580</u>
	<u>\$6,124,000</u>	<u>\$ 541,768</u>	<u>\$ 280,000</u>	<u>\$ 67,020</u>	<u>\$6,404,000</u>	<u>\$ 608,788</u>

City of West Burlington
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

General Obligation Bonds used for Urban Renewal Projects

The City issued a general obligation bond in August 2013 for the purposes of paying the costs of undertaking an urban renewal project consisting of constructing a municipal public works building. The bonds are payable from ad valorem taxes levied against all taxable property within the City. The City certified this obligation with the county auditor as tax increment financing. The debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$4,088,510, payable through June 2020.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bond. The bond was issued August 2008. Proceeds from the notes provided financing for the construction of several water system projects. The note is payable solely from water customer net receipts and is payable through 2028. The total principal and interest remaining to be paid on the notes is \$347,020. For the current year, principal and interest paid and total customer net receipts were \$24,880 and \$44,174, respectively.

The resolutions providing for the issuance of the water revenue bond included the following provisions:

- (a) The bond shall be payable solely from the net revenues of the utility and the sinking fund.
- (b) Monthly transfers must be equal to a sum of one-twelfth of the principal. Water Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Water Revenue Bond Sinking Fund for the purpose of making bond interest and principal payments when due.
- (c) Water user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year.

The City has not maintained water user charges at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year as required by the water revenue bond resolution.

Development Agreements

The City has entered into an agreement with Shottenkirk Partnership, L.P. (Developer) providing reimbursements from the City to the Developer based upon a 20 year agreement. The Developer has installed streets, sewers, curbing, and other utilities at a cost of \$1.2 million. The City will reimburse the Developer using an assumed amortization of 20 years at a rate of 5.70%. The City's payment will not exceed the increase in property taxes on the valuation of the land. At the end of the 20 year period, the agreement will cease, and the City will not continue payments regardless of any principal due at that time. The City's interest cost for the year ended June 30, 2014 was \$10,337, with \$148,151 applied to the principal.

City of West Burlington
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

The City has entered into two other similar agreements with Shottenkirk Partnership, L.P. and Park West Estates, LLC, with a combined cost of approximately \$961,000. The City's interest cost for the year ended June 30, 2014 was \$66,699, with \$76,745 principal applied. The terms for these agreements are 10 years, using interest rate assumptions of 5.70% to 6.75%.

Note 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 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary, except for police and fire employees, in which case the percentages are 6.76% and 10.14%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$122,649, \$115,785, and \$111,795, respectively, equal to the required contributions for each year.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2014, primarily relating to the General Fund, is \$125,424 based on rates of pay in effect at July 1, 2014.

Note 6. Self-Insured Health Benefits

The City of West Burlington has agreed to provide certain health benefits to its employees. For employees selecting single coverage, the City pays 100% of the premium for health insurance for all full-time union employees and 92% of the premium for non-union full-time employees. For full-time employees selecting family coverage, the union employees pay 13% of the premium cost and non-union employees pay 8% of the premium cost. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$500 per individual and \$1,000 per family. The total maximum reimbursement liability to be paid by the City is \$82,000. The City's cost related to this reimbursement for the year ended June 30, 2014 was approximately \$67,336.

City of West Burlington
Notes to Financial Statements

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 23 active members 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/United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

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 \$602 for single coverage and \$1,481 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$302,203 and plan members eligible for benefits contributed \$21,745 to the plan.

Note 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.

Note 9. Contract with the Burlington Municipal Waterworks

On August 16, 1995, the City of West Burlington entered into an agreement with Burlington Municipal Waterworks to provide for the sale of water to the City of West Burlington. The contract provides an initial term of twenty years, with four additional terms of five years each, unless cancelled by either party after the initial term expires. Water usage began on January 1, 1996 and expenses of \$299,381 were recorded for the year ended June 30, 2014.

Note 10. Jointly Governed Organizations

The City is a participant in the Des Moines County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the eleven member board. The City paid \$41,399 in recycling fees in fiscal year 2014.

The City also participates with the City of Burlington in an agreement with the Southeast Iowa Regional Airport Authority. The City appoints one member of the five member Board of Trustees. The City contributed \$22,540 to the Airport in fiscal year 2014. There is a five year notice of cancellation requirement.

City of West Burlington
Notes to Financial Statements

Note 11. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to:	
General fund	\$ 903,381
Sales tax	10,918
Tax increment financing	25,832
Debt service	1,794,246
Capital projects	61,200
Nonmajor governmental	35,124
Water service	90,977
Water equipment reserve	20,000
Sewer equipment reserve	10,000
Nonmajor enterprise	<u>3,281</u>
	<u>\$ 2,954,959</u>
Transfer from:	
General fund	\$ 79,825
Sales tax	368,986
Tax increment financing	1,925,275
Capital projects	326,364
Nonmajor governmental	166,493
Water service	53,437
Sewer service	<u>34,579</u>
	<u>\$ 2,954,959</u>

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

Note 12. Commitments

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City are as follows:

Panasonic arbitrator HD patrol car video and evidence system	\$ 62,297
2013 Ford F150 pickup	18,899
Waterworks plant improvements	135,000
Public works building	1,483,454

Note 13. Related Party Transactions

The City had business transactions between the City and City officials totaling \$102,005 during the year ended June 30, 2014.

**City of West Burlington
Notes to Financial Statements**

Note 14. Cash Basis Fund Balances

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2014 are as follows:

	Road Use				Capital Projects	Other Nonmajor Governmental	Total
	General	Tax	Sales Tax	TIF			
Restricted for:							
Road use purposes	\$ -	\$ 66,347	\$ -	\$ -	\$ -	\$ -	\$ 66,347
Tax referendum purposes	-	-	319,898	-	-	-	319,898
Urban renewal projects	-	-	-	257,018	-	-	257,018
Southeast Iowa Safety and Support Organization	-	-	-	-	-	18,806	18,806
Committed to:							
Public works facility	-	-	-	-	1,483,454	-	1,483,454
Other purposes	7,476	-	-	-	-	-	7,476
Assigned to:							
Public safety	-	-	-	-	126,613	-	126,613
Public pool	-	-	-	-	15,000	-	15,000
Other capital projects	-	-	-	-	14,056	-	14,056
Other purposes	-	-	-	-	-	86,728	86,728
Unassigned	504,421	-	-	-	-	-	504,421
Total	\$ 511,897	\$ 66,347	\$ 319,898	\$ 257,018	\$ 1,639,123	\$ 105,534	\$ 2,899,817

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

OTHER INFORMATION

City of West Burlington
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, 2014

	Governmental Funds Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 1,015,825	\$ -	\$ -	\$ 1,015,825	\$ 977,911	\$ 977,911	\$ 37,914
Tax increment financing collections	2,191,607	-	-	2,191,607	2,324,998	2,324,998	(133,391)
Other city taxes	513,397	-	-	513,397	553,243	553,243	(39,846)
Use of money and property	62,483	-	-	62,483	44,846	44,846	17,637
Licenses and permits	70,149	-	-	70,149	101,334	101,334	(31,185)
Intergovernmental	509,171	-	-	509,171	441,676	567,903	(58,732)
Charges for service	242,033	1,542,171	86,600	1,697,604	1,704,372	1,747,664	(50,060)
Miscellaneous	338,356	30,823	-	369,179	288,909	380,239	(11,060)
Total receipts	4,943,021	1,572,994	86,600	6,429,415	6,437,289	6,698,138	(268,723)
Disbursements:							
Public safety	1,449,154	26,810	26,810	1,449,154	1,453,470	1,594,471	145,317
Public works	646,950	16,831	16,831	646,950	634,896	680,607	33,657
Culture and recreation	269,561	-	-	269,561	267,424	313,390	43,829
Community and economic development	360,794	-	-	360,794	361,040	404,120	43,326
General government	488,495	4,538	4,538	488,495	485,264	542,842	54,347
Debt service	1,794,246	-	-	1,794,246	1,736,323	1,797,399	3,153
Capital projects	2,151,287	-	-	2,151,287	3,581,566	3,628,350	1,477,063
Business type activities	-	1,476,584	20,756	1,455,828	1,458,259	1,469,407	13,579
Total disbursements	7,160,487	1,524,763	68,935	8,616,315	9,978,242	10,430,586	1,814,271
Excess (deficiency) of receipts over disbursements	(2,217,466)	48,231	17,665	(2,186,900)	(3,540,953)	(3,732,448)	1,545,548
Other financing sources	3,713,758	36,242	-	3,750,000	3,780,000	3,780,000	(30,000)
Net change in cash balances	1,496,292	84,473	17,665	1,563,100	239,047	47,552	1,515,548
Cash balances beginning of year	1,403,525	671,858	72,061	2,003,322	1,775,986	1,775,986	227,336
Cash balances end of year	\$ 2,899,817	\$ 756,331	\$ 89,726	\$ 3,566,422	\$ 2,015,033	\$ 1,823,538	\$ 1,742,884

See accompanying independent auditor's report.

City of West Burlington
Notes to Other Information - Budgetary Reporting

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$452,344. The budget amendments are reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

City of West Burlington
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2014

	Fourth of July Celebration	Medical Insurance	Hotel/Motel Tax	SE Iowa Safety and Support	Other Programs	Total
Receipts:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 153,993	\$ 153,993
Other city taxes	-	-	31,103	-	-	31,103
Miscellaneous	25,870	299	-	86,684	10,172	123,025
Total receipts	<u>25,870</u>	<u>299</u>	<u>31,103</u>	<u>86,684</u>	<u>164,165</u>	<u>308,121</u>
Disbursements:						
Culture and recreation	32,549	-	-	-	13,005	45,554
General government	-	23,075	14,385	86,957	-	124,417
Total disbursements	<u>32,549</u>	<u>23,075</u>	<u>14,385</u>	<u>86,957</u>	<u>13,005</u>	<u>169,971</u>
Excess (deficiency) of receipts over disbursements	<u>(6,679)</u>	<u>(22,776)</u>	<u>16,718</u>	<u>(273)</u>	<u>151,160</u>	<u>138,150</u>
Other financing sources (uses):						
Operating transfers in (out)	10,000	22,625	(12,500)	-	(151,494)	(131,369)
	<u>10,000</u>	<u>22,625</u>	<u>(12,500)</u>	<u>-</u>	<u>(151,494)</u>	<u>(131,369)</u>
Net change in cash balances	3,321	(151)	4,218	(273)	(334)	6,781
Cash balances beginning of year	<u>38,822</u>	<u>15,173</u>	<u>20,074</u>	<u>19,079</u>	<u>5,605</u>	<u>98,753</u>
Cash balances end of year	<u>\$ 42,143</u>	<u>\$ 15,022</u>	<u>\$ 24,292</u>	<u>\$ 18,806</u>	<u>\$ 5,271</u>	<u>\$ 105,534</u>
Cash Basis Fund Balances						
Restricted	\$ -	\$ -	\$ -	\$ 18,806	\$ -	\$ 18,806
Assigned	<u>42,143</u>	<u>15,022</u>	<u>24,292</u>	<u>-</u>	<u>5,271</u>	<u>86,728</u>
Total cash basis fund balances	<u>\$ 42,143</u>	<u>\$ 15,022</u>	<u>\$ 24,292</u>	<u>\$ 18,806</u>	<u>\$ 5,271</u>	<u>\$ 105,534</u>

See accompanying independent auditor's report.

**City of West Burlington
Statement of Indebtedness
Year Ended June 30, 2014**

Obligation	Date of Issuance	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Water improvement loan agreement	8/27/08	3.00%	\$ 400,000	\$ 321,000	\$ -	\$ 17,000	\$ 304,000	\$ 9,630	\$ -
Street and storm sewer improvement note	4/15/11	2.00-3.00%	2,715,000	2,025,000	-	500,000	1,525,000	42,100	-
Aerial fire truck note	5/04/11	2.50-3.20%	750,000	615,000	-	70,000	545,000	17,140	-
Urban renewal refunding bonds	8/24/11	0.75-1.00%	1,625,000	815,000	-	815,000	-	8,150	-
Public works design loan	10/31/12	2.00%	250,000	250,000	-	250,000	-	1,847	-
Public works building	8/15/13	2.00-2.10%	3,750,000	-	3,750,000	-	3,750,000	60,326	-
Total				\$ 4,026,000	\$ 3,750,000	\$ 1,652,000	\$ 6,124,000	\$ 139,193	\$ -
Water revenue note:									
Water revenue bond	8/20/08	3.00%	\$ 330,000	\$ 296,000	\$ -	\$ 16,000	\$ 280,000	\$ 8,880	\$ -
Development agreements	Various	5.70-6.75%	\$ 2,161,206	\$ 1,064,297	\$ -	\$ 224,896	\$ 839,401	\$ 77,036	\$ -

Development Agreements:

The City has entered into an agreement with a developer providing reimbursements from the City to the developer based upon a 20 year agreement. The developer has installed streets, sewers, curbing, and other utilities at a cost of \$1.2 million. The City will reimburse the developer using an assumed amortization of 20 years at a rate of 5.70%. The City's payment will not exceed the increase in property taxes on the valuation of the land. At the end of the 20 year period, the agreement will cease, and the City will not continue payments regardless of any principal due at that time. The City's interest cost for the year ended June 30, 2014 was \$10,337, with \$148,151 applied to the principal.

The City has entered into two other similar agreements with a combined cost of approximately \$961,000. The City's interest cost for the year ended June 30, 2014 was \$66,699, with \$76,745 principal applied. The terms for these agreements are 10 years, using interest rate assumptions of 5.70% to 6.75%.

See accompanying independent auditor's report.

**City of West Burlington
Bond and Note Maturities
June 30, 2014**

General Obligation Bonds									
Street and Storm Sewer Improvement Notes <u>April 15, 2011</u>			Aerial Fire Truck Note <u>April 15, 2011</u>		Water Improvement Loan Agreement <u>August 27, 2008</u>		Public Works Building <u>August 15, 2013</u>		
Year Ending <u>June 30,</u>	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>	<u>Total</u>
2015	2.00%	\$ 680,000	2.50%	\$ 75,000	3.00%	\$ 18,000	2.00%	\$ 25,000	\$ 798,000
2016	2.00%	685,000	2.75%	75,000	3.00%	18,000	2.00%	110,000	888,000
2017	3.00%	30,000	2.75%	75,000	3.00%	19,000	2.00%	850,000	974,000
2018	3.00%	30,000	2.60%	75,000	3.00%	19,000	2.00%	910,000	1,034,000
2019	3.00%	30,000	2.90%	80,000	3.00%	20,000	2.00%	920,000	1,050,000
2020	3.00%	35,000	3.00%	80,000	3.00%	21,000	2.10%	935,000	1,071,000
2021	3.00%	35,000	3.20%	85,000	3.00%	21,000	-	-	141,000
2022	-	-	-	-	3.00%	22,000	-	-	22,000
2023	-	-	-	-	3.00%	23,000	-	-	23,000
2024	-	-	-	-	3.00%	23,000	-	-	23,000
2025	-	-	-	-	3.00%	24,000	-	-	24,000
2026	-	-	-	-	3.00%	25,000	-	-	25,000
2027	-	-	-	-	3.00%	25,000	-	-	25,000
2028	-	-	-	-	3.00%	26,000	-	-	26,000
		<u>\$ 1,525,000</u>		<u>\$ 545,000</u>		<u>\$ 304,000</u>		<u>\$ 3,750,000</u>	<u>\$ 6,124,000</u>

Water Revenue Bond		
<u>August 20, 2008</u>		
Year Ending <u>June 30,</u>	Interest <u>Rate</u>	<u>Amount</u>
2015	3.00%	\$ 16,000
2016	3.00%	17,000
2017	3.00%	17,000
2018	3.00%	18,000
2019	3.00%	19,000
2020	3.00%	19,000
2021	3.00%	20,000
2022	3.00%	20,000
2023	3.00%	21,000
2024	3.00%	21,000
2025	3.00%	22,000
2026	3.00%	23,000
2027	3.00%	23,000
2028	3.00%	24,000
		<u>\$ 280,000</u>

See accompanying independent auditor's report.

City of West Burlington
Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

	Year Ending June 30,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:											
Property tax	\$ 1,015,825	\$ 994,156	\$ 1,036,015	\$ 829,024	\$ 826,745	\$ 838,637	\$ 931,804	\$ 927,315	\$ 934,197	\$ 936,733	\$ 978,252
Tax increment financing collections	2,191,607	2,286,752	2,063,536	2,195,063	1,968,925	1,681,414	1,985,012	1,947,354	1,899,816	1,771,802	1,399,350
Other city taxes	513,397	492,940	548,004	687,589	646,133	643,872	537,495	433,246	385,512	391,763	426,373
Use of money and property	62,483	45,382	62,659	86,253	82,954	121,715	168,496	110,046	86,271	59,911	68,661
Licenses and permits	70,149	157,926	103,477	124,884	45,790	49,658	65,219	96,860	51,125	90,160	55,398
Intergovernmental	509,171	513,304	564,370	717,810	377,192	364,218	578,484	405,794	454,128	716,922	372,533
Charges for services	242,033	237,721	256,167	234,543	206,329	227,427	160,947	139,111	146,190	104,357	94,223
Special assessments	-	-	-	-	-	-	-	36,138	-	-	-
Miscellaneous	338,356	379,599	326,069	322,116	262,142	284,720	364,415	290,025	410,076	437,425	305,762
Total	\$ 4,943,021	\$ 5,107,780	\$ 4,960,297	\$ 5,197,282	\$ 4,416,210	\$ 4,211,661	\$ 4,791,872	\$ 4,385,889	\$ 4,367,315	\$ 4,509,073	\$ 3,700,552
Disbursements:											
Operating:											
Public safety	\$ 1,449,154	\$ 1,396,490	\$ 1,714,660	\$ 2,292,531	\$ 1,179,756	\$ 1,120,511	\$ 1,049,996	\$ 1,084,115	\$ 1,370,520	\$ 1,046,473	\$ 1,014,372
Public works	646,950	562,654	549,885	629,415	622,353	510,378	506,502	455,784	451,451	455,956	507,960
Culture and recreation	269,561	263,077	291,914	255,802	221,293	289,096	111,732	86,148	101,012	80,579	73,754
Community and economic development	360,794	629,285	731,704	781,084	277,976	229,542	205,075	2,349	16,837	2,607	287,374
General government	488,495	418,257	576,347	424,320	437,693	433,061	457,439	290,544	299,438	227,568	246,845
Debt service	1,794,246	1,494,700	1,742,163	1,707,417	1,763,709	1,358,394	1,118,458	1,220,655	1,118,576	1,445,846	1,130,716
Capital projects	2,151,287	729,741	2,351,135	601,248	469,288	755,856	4,911,209	681,900	930,076	1,995,007	3,311,529
Total	\$ 7,160,487	\$ 5,494,204	\$ 7,957,808	\$ 6,691,817	\$ 4,972,068	\$ 4,696,838	\$ 8,360,411	\$ 3,821,495	\$ 4,287,910	\$ 5,254,036	\$ 6,572,550

See accompanying independent auditor's report.

**City of West Burlington
Schedule of Selected Employee Related Expenses**

	Year Ended June 30,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Disbursements:											
Gross salaries	\$ 1,416,209	\$ 1,357,800	\$ 1,351,400	\$ 1,351,100	\$ 1,336,200	\$ 1,338,300	\$ 1,203,900	\$ 1,164,300	\$ 1,158,300	\$ 1,081,500	\$ 1,087,600
FICA expense	105,029	100,900	99,600	99,200	98,500	98,800	89,500	87,100	87,400	81,500	82,300
IPERS & ICMA expense	122,649	115,800	111,800	101,800	95,600	87,100	82,800	81,800	83,700	76,100	74,300
Total	<u>\$ 1,643,887</u>	<u>\$ 1,574,500</u>	<u>\$ 1,562,800</u>	<u>\$ 1,552,100</u>	<u>\$ 1,530,300</u>	<u>\$ 1,524,200</u>	<u>\$ 1,376,200</u>	<u>\$ 1,333,200</u>	<u>\$ 1,329,400</u>	<u>\$ 1,239,100</u>	<u>\$ 1,244,200</u>

See accompanying independent auditor's report.



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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***

Honorable Mayor and
Members of the City Council
City of West Burlington, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the primary government of the City of West Burlington, Iowa (City), as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 5, 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 accounting principles generally accepted in the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying schedule of findings as item I-A-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. The City'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 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.

CPA Associates PC

November 5, 2014

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2014**

Part I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCY

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2014**

Part II: Other Findings Related to Required Statutory Reporting

- II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted in any program. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

The City published a notice of public hearing on the budget including a summary of the proposed budget as required by Chapter 384.16 of the Code of Iowa.

- II-B-14 Questionable Disbursements - We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-14 Business Transactions - No business transactions between the City and City officials or employees were found.
- II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

The City Council went into closed session on December 4, 2013 and June 4, 2014. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes.

Response - We will comply with the Code requirements for closed sessions. We will publish minutes as required.

Conclusion - Response accepted.

- II-G-14 Bonds and Revenue Notes -The water user charges were at a level that produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year as required by the water revenue bond resolution. No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-H-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2014**

Part II: Other Findings Related to Statutory Reporting (continued)

II-I-14 Delinquent Utility Accounts - At June 30, 2014, four employees or council members had delinquent utility accounts.

Recommendation - We recommend that the City emphasizes to employees and council members that they are setting an example to the community by their actions.

Response - We will encourage employees and council members to pay their utility bills by their due date.

Conclusion - Response accepted.

II-J-14 Urban Renewal Annual Report - The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.