



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

November 1, 2017

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of West Burlington, Iowa (City) for the year ended June 30, 2017, and have issued our report thereon dated November 1, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 14, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. We noted no significant transactions that have not been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Significant Audit Findings (continued)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 1, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of City Contributions, which are other information (OI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the OI and do not express an opinion or provide any assurance on the OI.

We were engaged to report on the Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds, Statement of Indebtedness, Bond and Note Maturities, Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds, and Schedule of Selected Employee Related Expenses, which accompany the financial statements but are not OI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records to prepare the financial statements or to the financial statements themselves.

We provide the City with nonattest services pertaining to drafting the City's financial statements and related notes. In connection with these services, management has made all management-level decisions and performed all management functions, designated an individual with suitable skill, knowledge or experience to oversee the services, evaluated the adequacy and results of the services performed, accepted responsibility for the results of the services, and established and maintained controls, including monitoring ongoing activities.

Restriction on Use

This information is intended solely for the information and use of the Mayor and City Council of the City of West Burlington, Iowa and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

CPA Associates PC

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, 2017

C o n t e n t s

	Page
Officials	1
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 10
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 11
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 12
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C 13
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 14
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	E 15
Notes to Financial Statements	16 - 28
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	29
Notes to Other Information - Budgetary Reporting	30
Schedule of the City's Proportionate Share of the Net Pension Liability	31
Schedule of City Contributions	32
Notes to Other Information - Pension Liability	33
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 34
Statement of Indebtedness	2 35
Bond and Note Maturities	3 36
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4 37
Schedule of Selected Employee Related Expenses	5 38
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 <i>Government Auditing Standards</i>	39 - 40
Schedule of Findings	41 - 42

City of West Burlington

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hans Trousil	Mayor	December, 2017
Rod Crowner	Council Member	December, 2019
Therese Lees	Council Member	December, 2019
Richard Raleigh	Council Member	December, 2019
Royce Heitmeier	Council Member	December, 2017
Al Waterman	Council Member	December, 2017
Dan Gifford	City Administrator	Not Elected
Leslie Sattler	Finance Officer	Not Elected
Kelly Fry	City Clerk	Not Elected

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, 2017, 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 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 as of June 30, 2017, 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 nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 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 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, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 10 and 29 through 33, 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 1, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 1, 2017

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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 92%, or \$4,049,301, from fiscal 2016 to fiscal 2017. This mainly due to bond proceeds from debt issued for the \$3,780,000 General Obligation Bond.
- Disbursements of the City's governmental activities increased 10%, or \$402,389, from fiscal 2016 to fiscal 2017. Capital projects decreased \$32,124 due to the redevelopment of the land occupied by the old public works building completed in fiscal 2016, public safety increased \$241,584 due to equipment and personnel costs, and community and economic development decreased \$6,980 mostly due to housing grant participation.
- The City's total cash basis net position increased 124%, or \$4,523,280, from June 30, 2016 to June 30, 2017.

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 and the City's proportionate share of the net pension liability and related contributions.
- 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. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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 \$2,391,195 to \$6,551,165. 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>2017</u>	<u>2016</u>
Receipts:		
Program receipts:		
Charges for services	\$ 299,877	\$ 511,226
Operating grants, contributions and restricted interest	627,220	518,447
General receipts:		
Property tax	2,548,997	2,423,752
Local option sales tax	605,943	551,790
Use of money and property	65,915	55,816
Other general receipts	342,526	322,314
Bond proceeds	3,780,000	-
Bond premium	<u>162,168</u>	<u>-</u>
Total receipts	<u>8,432,646</u>	<u>4,383,345</u>
Disbursements:		
Public safety	1,558,819	1,317,235
Public works	634,581	578,435
Culture and recreation	191,547	244,742
Community and economic development	11,976	18,956
General government	652,595	523,440
Debt service	1,074,048	1,006,245
Capital projects	<u>168,965</u>	<u>201,089</u>
Total disbursements	<u>4,292,531</u>	<u>3,890,142</u>
Change in cash basis net position before transfers	4,140,115	493,203
Transfers net	<u>19,855</u>	<u>(4,974)</u>
Change in cash basis net position	4,159,970	488,229
Cash basis net position beginning of year	<u>2,391,195</u>	<u>1,902,966</u>
Cash basis net position end of year	<u>\$ 6,551,165</u>	<u>\$ 2,391,195</u>

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

The City's total receipts for governmental activities increased by 92%, or \$4,049,301. This was mainly due to the issuance of a General Obligation Bond of \$3,780,000 in fiscal 2017. The total cost of all programs and services increased by \$402,389 or 10%, with no new programs added this year.

The cost of all governmental activities this year was \$4,292,531 compared to \$3,890,142 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 \$3,365,434 because some of the cost was paid by those who directly benefited from the programs by (\$299,877) or by other governments and organizations that subsidized certain programs with grants and contributions by (\$627,220). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal 2017 from \$1,029,673 to \$927,097.

Changes in Cash Basis Net Position of Business Type Activities	Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 908,047	\$ 871,504
Sewer	1,033,475	905,190
General receipts:		
Bond proceeds	451,029	141,041
Miscellaneous receipts	<u>46,456</u>	<u>56,831</u>
Total receipts	<u>2,439,007</u>	<u>1,974,566</u>
Disbursements:		
Water	992,234	918,283
Sewer	<u>1,063,608</u>	<u>712,749</u>
Total disbursements	<u>2,055,842</u>	<u>1,631,032</u>
Change in cash basis net position before transfer	383,165	343,534
Transfers, net	<u>(19,855)</u>	<u>4,974</u>
Change in cash basis net position	363,310	348,508
Cash basis net position beginning of year	<u>1,267,355</u>	<u>918,847</u>
Cash basis net position end of year	<u>\$ 1,630,665</u>	<u>\$ 1,267,355</u>

Total business type activities receipts for the fiscal year were \$2,439,007 compared to \$1,974,566 last year. The cash balance increased by \$363,310. Total disbursements for the fiscal year increased by 26%. Sewer rates were increased by 22.5% to bring revenues closer to the needed amount to make payments on the wastewater plant improvements projects. Water rates were increased by 6.7% in fiscal 2017. Sewer receipts increased due to bond proceeds of \$451,029 in fiscal 2017.

**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 \$6,483,272, an increase of \$4,165,804 from last year's total of \$2,317,468. 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 \$695,094, a decrease of \$107,852 from the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$61,136 to \$272,566 during the fiscal year. Revenues were more than budgeted due to conservative budgeting and two budgeted expenditures for projects not expended in fiscal 2017.
- 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 47% 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 cash balance (TIF) increased by \$113,132 to \$697,426 during the fiscal year due to receiving more in revenues than debt and low to moderate set aside expenditures were made for the fiscal year.
- The Capital Projects Fund cash balance increased by \$3,974,712 to \$4,166,398 during the fiscal year. This increase is due to the City issuing a General Obligation Bond of \$3,780,000 for capital projects that will be done in fiscal years 2018 and 2019.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Service Fund cash balance increased \$69,331 to \$424,669 during the fiscal year. Operating receipts exceeded operating disbursements by \$58,034.
- The Sewer Service Fund cash balance increased \$361,343 to \$909,043 during the fiscal year. A majority of this increase is due to the City increasing sewer rates to help offset future increases to fund costs of major sewer plant improvements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget during the fiscal year. The amendment was approved on May 17, 2017 and resulted in an increase in revenues and other financing sources of \$4,202,197 and an increase in disbursements of \$628,897. The revenue and other financing sources increases were primarily due to the General Obligation Bond issued. Other revenues included other city taxes, intergovernmental, charges for services, licenses and permits and miscellaneous. Expenditure increases included public safety, public works, culture and recreation, general government, debt service, capital projects and business type activities (water & sewer).

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

DEBT ADMINISTRATION

At June 30, 2017, the City had \$8,219,136 in bonds and other long-term debt, compared to \$4,918,978 last year, as shown below.

Outstanding Debt at Year End	June 30,	
	2017	2016
General obligation bonds	\$ 7,244,000	\$ 4,438,000
Capital lease	60,129	-
Water revenue loan	230,000	247,000
Sewer revenue note	<u>685,007</u>	<u>233,978</u>
Total	<u>\$ 8,219,136</u>	<u>\$ 4,918,978</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 \$7,244,000 is below its constitutional debt limit of approximately \$12.35 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 2018 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 4.5% versus 5.5% a year ago. These indicators were taken into account when adopting the budget for fiscal 2018.

The City had a 1% growth in taxable valuations for fiscal 2018. Receipts are projected to increase by 155% or approximately \$13,462,424 and disbursements are projected to increase by 44% or approximately \$5,768,689. The largest increase in revenue and expenditures is due to the mandated renovation and expansion of the wastewater treatment plant. Construction has begun in the current fiscal year. This will be financed through the Iowa Financing Authority payable with sewer revenue debt. The construction cost is estimated to be \$8,825,400. Sewer rates were increased by 22.5% to help reach the rate necessary to meet required loan payments. Usage rates were also increased for water, garbage and recycling.

The property tax levy remained at \$10.00 per \$1,000 of taxable assessed valuation. The general fund expenditures are projected to exceed revenues by approximately \$140,123, not including internal loans. The City has enough reserves to cover the projected deficit and maintain a general fund balance of 16.5%. Water revenues are projected to exceed expenditures by \$8,977. This includes a transfer to the water equipment reserve account for \$10,000. Sewer revenues are projected to exceed expenditures by \$562,346, which includes a \$10,000 transfer to sewer capital equipment.

The local option sales tax balance is projected to increase by \$49,659. Revenues are projected at \$530,00 with expenditures of \$480,341. Included in the expenditures are debt service payments of \$146,383 from Local Option Sales Tax. Tax Increment Financing payments for general obligation debt payments are \$1,086,244. The road use fund is projected to be spent down by \$86,967. That spend down includes two street projects totaling \$130,000. Funds from the increase in the state fuel tax will be used to fund the projects.

**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, 2017

	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	\$ 1,558,819	\$ 91,421	\$ 233,050	\$ -	\$ (1,234,348)	\$ -	\$ (1,234,348)
Public works	634,581	203,003	373,921	-	(57,657)	-	(57,657)
Culture and recreation	191,547	5,078	18,549	-	(167,920)	-	(167,920)
Community and economic development	11,976	130	-	-	(11,846)	-	(11,846)
General government	652,595	245	1,700	-	(650,650)	-	(650,650)
Debt service	1,074,048	-	-	-	(1,074,048)	-	(1,074,048)
Capital projects	168,965	-	-	-	(168,965)	-	(168,965)
Total governmental activities	<u>4,292,531</u>	<u>299,877</u>	<u>627,220</u>	<u>-</u>	<u>(3,365,434)</u>	<u>-</u>	<u>(3,365,434)</u>
Business type activities:							
Water	992,234	908,047	-	-	-	(84,187)	(84,187)
Sewer	1,063,608	1,033,475	-	-	-	(30,133)	(30,133)
Total business type activities	<u>2,055,842</u>	<u>1,941,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,320)</u>	<u>(114,320)</u>
Total	<u>\$ 6,348,373</u>	<u>\$ 2,241,399</u>	<u>\$ 627,220</u>	<u>\$ -</u>	<u>(3,365,434)</u>	<u>(114,320)</u>	<u>(3,479,754)</u>
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					1,450,397	-	1,450,397
Tax increment financing					1,098,600	-	1,098,600
Local option sales tax					605,943	-	605,943
Unrestricted interest on investments					65,915	-	65,915
Bond proceeds					3,780,000	451,029	4,231,029
Bond premium					162,168	-	162,168
Transfers					19,855	(19,855)	-
Miscellaneous					342,526	46,456	388,982
Total general receipts and transfers					<u>7,525,404</u>	<u>477,630</u>	<u>8,003,034</u>
Change in cash basis net position					4,159,970	363,310	4,523,280
Cash basis net position beginning of year					<u>2,391,195</u>	<u>1,267,355</u>	<u>3,658,550</u>
Cash basis net position end of year					<u>\$ 6,551,165</u>	<u>\$ 1,630,665</u>	<u>\$ 8,181,830</u>
Cash Basis Net Position							
Restricted:							
Expendable					\$ 5,374,000	\$ 256,169	\$ 5,630,169
Unrestricted					<u>1,177,165</u>	<u>1,374,496</u>	<u>2,551,661</u>
Total cash basis net position					<u>\$ 6,551,165</u>	<u>\$ 1,630,665</u>	<u>\$ 8,181,830</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, 2017

	General	Special Revenue				Capital Projects	Other Nonmajor Governmental	Total
		Road Use Tax	Sales Tax	TIF	Debt Service			
Receipts:								
Property tax	\$ 1,123,644	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,050	\$ 1,363,694
Tax increment financing	-	-	-	1,098,600	-	-	-	1,098,600
Other city tax	42,954	-	605,943	-	-	-	43,749	692,646
Use of money and property	54,423	-	-	5,964	-	5,528	-	65,915
License and permits	103,759	-	-	-	-	-	-	103,759
Intergovernmental	256,227	373,921	-	-	-	-	17,146	647,294
Charges for services	203,600	-	-	-	-	-	-	203,600
Miscellaneous	231,688	-	-	-	-	-	83,281	314,969
Total receipts	<u>2,016,295</u>	<u>373,921</u>	<u>605,943</u>	<u>1,104,564</u>	<u>-</u>	<u>5,528</u>	<u>384,226</u>	<u>4,490,477</u>
Disbursements:								
Operating:								
Public safety	1,532,633	-	29,677	-	-	-	-	1,562,310
Public works	293,286	308,839	22,540	-	-	-	-	624,665
Culture and recreation	150,175	-	-	-	-	-	41,372	191,547
Community and economic development	6,976	-	-	5,000	-	-	-	11,976
General government	546,355	-	-	-	-	-	106,830	653,185
Debt service	-	-	-	-	1,074,048	-	-	1,074,048
Capital projects	19,656	3,946	5,917	4,712	-	134,734	-	168,965
Total disbursements	<u>2,549,081</u>	<u>312,785</u>	<u>58,134</u>	<u>9,712</u>	<u>1,074,048</u>	<u>134,734</u>	<u>148,202</u>	<u>4,286,696</u>
Excess (deficiency) of receipts over disbursements	(532,786)	61,136	547,809	1,094,852	(1,074,048)	(129,206)	236,024	203,781
Other financing sources (uses):								
Bond proceeds	-	-	-	-	-	3,780,000	-	3,780,000
Bond premium	-	-	-	-	-	162,168	-	162,168
Operating transfers in (out)	424,934	-	(426,390)	(981,720)	1,074,048	161,750	(232,767)	19,855
Net change in cash balances	(107,852)	61,136	121,419	113,132	-	3,974,712	3,257	4,165,804
Cash balances beginning of year	802,946	211,430	431,397	584,294	-	191,686	95,715	2,317,468
Cash balances end of year	<u>\$ 695,094</u>	<u>\$ 272,566</u>	<u>\$ 552,816</u>	<u>\$ 697,426</u>	<u>\$ -</u>	<u>\$ 4,166,398</u>	<u>\$ 98,972</u>	<u>\$ 6,483,272</u>
Cash Basis Fund Balances								
Restricted	\$ -	\$ 272,566	\$ 552,816	\$ 697,426	\$ -	\$ 3,812,712	\$ -	\$ 5,335,520
Committed	38,480	-	-	-	-	-	-	38,480
Assigned	-	-	-	-	-	353,686	98,972	452,658
Unassigned	656,614	-	-	-	-	-	-	656,614
Total cash basis fund balances	<u>\$ 695,094</u>	<u>\$ 272,566</u>	<u>\$ 552,816</u>	<u>\$ 697,426</u>	<u>\$ -</u>	<u>\$ 4,166,398</u>	<u>\$ 98,972</u>	<u>\$ 6,483,272</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, 2017

Total governmental funds cash balances (page 12) \$ 6,483,272

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.

67,893

Cash basis net position of governmental activities (page 11) \$ 6,551,165

Change in cash balances (page 12) \$ 4,165,804

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.

(5,834)

Change in cash basis net position of governmental activities (page 11) \$ 4,159,970

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, 2017

	Enterprise Funds					Internal Service
	Water Service	Water Equipment Reserve	Sewer Service	Sewer Equipment Reserve	Nonmajor Enterprise Fund	Employee Health
Operating Receipts:						
Charges for services	\$ 908,047	\$ -	\$ 1,033,475	\$ -	\$ -	\$ 82,887
Total operating receipts	<u>908,047</u>	<u>-</u>	<u>1,033,475</u>	<u>-</u>	<u>-</u>	<u>82,887</u>
Operating Disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	32,898
Public works	-	-	-	-	-	16,991
General government	-	-	-	-	-	6,466
Business type activities	<u>850,013</u>	<u>-</u>	<u>590,236</u>	<u>-</u>	<u>9,317</u>	<u>21,652</u>
Total operating disbursements	<u>850,013</u>	<u>-</u>	<u>590,236</u>	<u>-</u>	<u>9,317</u>	<u>78,007</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>58,034</u>	<u>-</u>	<u>443,239</u>	<u>-</u>	<u>(9,317)</u>	<u>4,880</u>
Non-operating receipts (disbursements):						
Miscellaneous	12,722	-	5,831	-	27,903	-
Debt proceeds	-	-	451,029	-	-	-
Debt service	(25,028)	-	-	-	-	(25,028)
Capital projects	<u>(100,744)</u>	<u>(9,490)</u>	<u>(481,728)</u>	<u>-</u>	<u>-</u>	<u>(591,962)</u>
Net non-operating receipts (disbursements)	<u>(113,050)</u>	<u>(9,490)</u>	<u>(24,868)</u>	<u>-</u>	<u>27,903</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(55,016)</u>	<u>(9,490)</u>	<u>418,371</u>	<u>-</u>	<u>18,586</u>	<u>4,880</u>
Transfers in (out)	<u>124,347</u>	<u>(97,174)</u>	<u>(57,028)</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Change in cash balances	69,331	(106,664)	361,343	10,000	18,586	4,880
Cash balances beginning of year	<u>355,338</u>	<u>129,210</u>	<u>547,700</u>	<u>32,690</u>	<u>170,224</u>	<u>105,920</u>
Cash balances end of year	<u>\$ 424,669</u>	<u>\$ 22,546</u>	<u>\$ 909,043</u>	<u>\$ 42,690</u>	<u>\$ 188,810</u>	<u>\$ 110,800</u>
Cash Basis Fund Balances						
Restricted for other purposes	\$ -	\$ 22,546	\$ -	\$ 42,690	\$ 188,810	\$ 254,046
Restricted for debt service	2,123	-	-	-	-	2,123
Unrestricted	<u>422,546</u>	<u>-</u>	<u>909,043</u>	<u>-</u>	<u>-</u>	<u>110,800</u>
Total cash basis fund balances	<u>\$ 424,669</u>	<u>\$ 22,546</u>	<u>\$ 909,043</u>	<u>\$ 42,690</u>	<u>\$ 188,810</u>	<u>\$ 110,800</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, 2017

Total enterprise funds cash balances (page 14) \$ 1,587,758

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.

42,907

Cash basis net position of business type activities (page 11) \$ 1,630,665

Change in cash balances (page 14) \$ 352,596

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.

10,714

Change in cash basis net position of business type activities (page 11) \$ 363,310

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.

City of West Burlington
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

City of West Burlington
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Note 2. Cash and Investments

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of GASB No. 40 or GASB No. 72.

City of West Burlington
Notes to Financial Statements

Note 3. Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		Capital Lease		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$1,034,000	\$ 196,004	\$ 25,770	\$ -	\$ 703,007	\$ 6,900	\$1,762,777	\$ 202,904
2019	1,060,000	161,950	25,770	-	19,000	6,360	1,104,770	168,310
2020	1,081,000	139,560	8,589	-	19,000	5,790	1,108,589	145,350
2021	646,000	115,675	-	-	20,000	5,220	666,000	120,895
2022	537,000	102,690	-	-	20,000	4,620	557,000	107,310
2023-2027	2,860,000	264,630	-	-	110,000	13,680	2,970,000	278,310
2028	26,000	780	-	-	24,000	720	50,000	1,500
	<u>\$7,244,000</u>	<u>\$ 981,289</u>	<u>\$ 60,129</u>	<u>\$ -</u>	<u>\$ 915,007</u>	<u>\$ 43,290</u>	<u>\$8,219,136</u>	<u>\$1,024,579</u>

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 \$2,878,905, payable through June 2020.

General Obligation Bonds used for Street Improvements

The City issued a general obligation bond in April 2017 for the purposes of paying the costs of constructing street, curb and gutter, sidewalk and storm water drainage improvements. The bonds are payable from ad valorem taxes levied against all taxable property within the City. The debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$4,565,624, payable through June 2027.

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 \$958,297. For the current year, principal and interest paid and total customer net receipts were \$24,410 and \$58,034, respectively.

City of West Burlington
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

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.

Capital lease

The City entered into a capital lease agreement with Dell Financial Services for a server and IT support. The City has a purchase option of \$1 at the end of the lease term. Lease payments totaled \$17,180 for the year ended June 30, 2017.

Note 4. Pension and Retirement Benefits

Plan Description

Iowa Public Employees' Retirement System (IPERS) membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits

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

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

City of West Burlington
Notes to Financial Statements

Note 4. Pension and Retirement Benefits (continued)

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$131,079.

City of West Burlington
Notes to Financial Statements

Note 4. Pension and Retirement Benefits (continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$664,818 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.010564%, which was an increase of 0.001537% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$118,105, \$317,205 and \$39,295 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

City of West Burlington
Notes to Financial Statements

Note 4. Pension and Retirement Benefits (continued)

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28 %	1.90 %
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 1,351,189	\$ 664,818	\$ 85,867

IPERS' Fiduciary Net Position

Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

City of West Burlington
Notes to Financial Statements

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, 2017, primarily relating to the General Fund, is \$142,318 based on rates of pay in effect at July 1, 2017.

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 90% of the premium for non-union full-time employees. For full-time employees selecting family coverage, the union employees pay 14% of the actuarial premium cost and non-union employees pay 10% of the actuarial 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 \$102,300. The City's cost related to this reimbursement for the year ended June 30, 2017 was approximately \$75,121.

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.

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 \$414 for single coverage and \$1,272 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2017, the City contributed \$334,661 and plan members eligible for benefits contributed \$30,951 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.

City of West Burlington
Notes to Financial Statements

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 \$307,256 were recorded for the year ended June 30, 2017.

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 \$45,977 in recycling fees in fiscal year 2017.

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 2017. There is a five year notice of cancellation requirement.

Note 11. Cash Basis Fund Balances

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2017 are as follows:

	General	Road Use Tax	Sales Tax	TIF	Capital Projects	Other Nonmajor Governmental	Total
Restricted for:							
Road use purposes	\$ -	\$ 272,566	\$ -	\$ -	\$ -	\$ -	\$ 272,566
Tax referendum purposes	-	-	552,816	-	-	-	552,816
Urban renewal projects	-	-	-	697,426	-	-	697,426
Other capital projects	-	-	-	-	3,812,712	-	3,812,712
Committed to:							
Other purposes	38,480	-	-	-	-	-	38,480
Assigned to:							
Public safety	-	-	-	-	195,131	-	195,131
Public pool	-	-	-	-	30,000	-	30,000
Other capital projects	-	-	-	-	128,555	-	128,555
Other purposes	-	-	-	-	-	98,972	98,972
Unassigned	<u>656,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>656,614</u>
Total	<u>\$ 695,094</u>	<u>\$ 272,566</u>	<u>\$ 552,816</u>	<u>\$ 697,426</u>	<u>\$ 4,166,398</u>	<u>\$ 98,972</u>	<u>\$ 6,483,272</u>

Note 12. Related Party Transactions

No material transactions between the City and City officials were noted during the course of the audit.

City of West Burlington
Notes to Financial Statements

Note 13. 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:

Waterworks plant improvements	\$ 9,292,900
Mount Pleasant Street project	2,238,554
West Burlington match street projects	304,758
Street improvements	203,000
Reconstruction of Beaverdale Road	105,000
Water tower painting	80,000
Cap well	34,000
Vehicle for fire department	29,420

Note 14. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to:	
General fund	\$ 606,363
Sales tax	10,918
Tax increment financing	21,949
Debt service	1,074,048
Capital projects	187,000
Nonmajor governmental	36,428
Water service	243,421
Water equipment reserve	85,000
Sewer equipment reserve	<u>10,000</u>
	<u>\$ 2,275,127</u>
Transfer from:	
General fund	\$ 181,429
Sales tax	437,308
Tax increment financing	1,003,669
Capital projects	25,250
Nonmajor governmental	269,195
Water service	119,074
Water equipment reserve	182,174
Sewer service	<u>57,028</u>
	<u>\$ 2,275,127</u>

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

City of West Burlington
Notes to Financial Statements

Note 15. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$130,641 of property tax under the urban renewal and economic development projects.

Note 16. New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. The statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The notes to the financial statements include information about the City's tax abatements and tax abatements of other entities which impact the City.

Note 17. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

Note 18. Subsequent Event

The City performed an evaluation of subsequent events through November 1, 2017, which is the date the financial statements were issued. In July 2017, the City issued \$10,985,000 sewer revenue bonds to finance the mandated renovation and expansion of the wastewater treatment plant.

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, 2017

	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	\$ 1,363,694	\$ -	\$ -	\$ 1,363,694	\$ 1,351,904	\$ 1,351,904	\$ 11,790
Tax increment financing collections	1,098,600	-	-	1,098,600	1,100,000	1,100,000	(1,400)
Other city taxes	692,646	-	-	692,646	595,147	604,147	88,999
Use of money and property	65,915	-	-	65,915	45,526	45,526	20,389
Licenses and permits	103,759	-	-	103,759	92,285	99,285	4,474
Intergovernmental	647,294	-	-	647,294	529,669	709,157	(61,863)
Charges for service	203,600	2,024,409	82,887	2,145,122	2,272,949	2,289,949	(144,827)
Miscellaneous	314,969	46,456	-	361,425	332,066	397,001	(35,576)
Total receipts	<u>4,490,477</u>	<u>2,070,865</u>	<u>82,887</u>	<u>6,478,455</u>	<u>6,319,546</u>	<u>6,596,969</u>	<u>(118,514)</u>
Disbursements:							
Public safety	1,562,310	32,898	32,898	1,562,310	1,456,233	1,698,539	136,229
Public works	624,665	16,991	16,991	624,665	638,272	672,920	48,255
Culture and recreation	191,547	-	-	191,547	235,045	236,545	44,998
Community and economic development	11,976	-	-	11,976	15,446	15,446	3,470
General government	653,185	6,466	6,466	653,185	678,338	731,757	78,572
Debt service	1,074,048	-	-	1,074,048	1,073,698	1,074,448	400
Capital projects	168,965	-	-	168,965	378,552	591,264	422,299
Business type activities	-	2,088,208	21,652	2,066,556	3,149,565	3,233,127	1,166,571
Total disbursements	<u>4,286,696</u>	<u>2,144,563</u>	<u>78,007</u>	<u>6,353,252</u>	<u>7,625,149</u>	<u>8,254,046</u>	<u>1,900,794</u>
Excess (deficiency) of receipts over disbursements	203,781	(73,698)	4,880	125,203	(1,305,603)	(1,657,077)	1,782,280
Other financing sources	<u>3,962,023</u>	<u>431,174</u>	<u>-</u>	<u>4,393,197</u>	<u>1,436,000</u>	<u>5,360,774</u>	<u>(967,577)</u>
Net change in cash balances	4,165,804	357,476	4,880	4,518,400	130,397	3,703,697	814,703
Cash balances beginning of year	<u>2,317,468</u>	<u>1,341,082</u>	<u>105,920</u>	<u>3,552,630</u>	<u>3,042,958</u>	<u>3,042,958</u>	<u>509,672</u>
Cash balances end of year	<u>\$ 6,483,272</u>	<u>\$ 1,698,558</u>	<u>\$ 110,800</u>	<u>\$ 8,071,030</u>	<u>\$ 3,173,355</u>	<u>\$ 6,746,655</u>	<u>\$ 1,324,375</u>

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, budget amendments increased budgeted disbursements by \$628,897. The budget amendments are reflected in the final budgeted amounts.

City of West Burlington
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)
Other Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.010564%	0.009027%	0.195225%
City's proportionate share of the net pension liability	\$ 665	\$ 446	\$ 285
City's covered-employee payroll	\$ 1,273	\$ 1,289	\$ 1,294
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.52%	0.35%	0.22%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

City of West Burlington
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)
Other Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily required contribution	\$ 132	\$ 119	\$ 122	\$ 123	\$ 111	\$ 104	\$ 102	\$ 96	\$ 87	\$ 83
Contributions in relation to the statutorily required contribution	<u>(132)</u>	<u>(119)</u>	<u>(122)</u>	<u>(123)</u>	<u>(111)</u>	<u>(104)</u>	<u>(102)</u>	<u>(96)</u>	<u>(87)</u>	<u>(83)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,403	\$ 1,273	\$ 1,289	\$ 1,294	\$ 1,190	\$ 1,172	\$ 1,233	\$ 1,237	\$ 1,205	\$ 1,160
Contributions as a percentage of covered- employee payroll	9.41 %	9.35 %	9.46 %	9.51 %	9.33 %	8.87 %	8.27 %	7.76 %	7.22 %	7.16 %

See accompanying independent auditor's report.

City of West Burlington
Notes to Other Information – Pension Liability
Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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, 2017

	Fourth of July Celebration	Medical Insurance	Hotel/Motel Tax	City Township Ambulance Association	Employee Benefits	Total
Receipts:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 240,050	\$ 240,050
Other city taxes	-	-	43,749	-	-	43,749
Intergovernmental	-	-	-	-	17,146	17,146
Miscellaneous	<u>24,087</u>	<u>21</u>	<u>-</u>	<u>59,173</u>	<u>-</u>	<u>83,281</u>
Total receipts	<u>24,087</u>	<u>21</u>	<u>43,749</u>	<u>59,173</u>	<u>257,196</u>	<u>384,226</u>
Disbursements:						
Culture and recreation	41,372	-	-	-	-	41,372
General government	<u>-</u>	<u>25,481</u>	<u>22,176</u>	<u>59,173</u>	<u>-</u>	<u>106,830</u>
Total disbursements	<u>41,372</u>	<u>25,481</u>	<u>22,176</u>	<u>59,173</u>	<u>-</u>	<u>148,202</u>
Excess (deficiency) of receipts over disbursements	<u>(17,285)</u>	<u>(25,460)</u>	<u>21,573</u>	<u>-</u>	<u>257,196</u>	<u>236,024</u>
Other financing sources (uses):						
Operating transfers in (out)	<u>10,000</u>	<u>26,429</u>	<u>(12,000)</u>	<u>-</u>	<u>(257,196)</u>	<u>(232,767)</u>
	<u>10,000</u>	<u>26,429</u>	<u>(12,000)</u>	<u>-</u>	<u>(257,196)</u>	<u>(232,767)</u>
Net change in cash balances	(7,285)	969	9,573	-	-	3,257
Cash balances beginning of year	<u>30,757</u>	<u>19,639</u>	<u>45,319</u>	<u>-</u>	<u>-</u>	<u>95,715</u>
Cash balances end of year	<u>\$ 23,472</u>	<u>\$ 20,608</u>	<u>\$ 54,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,972</u>
Cash Basis Fund Balances						
Assigned	<u>\$ 23,472</u>	<u>\$ 20,608</u>	<u>\$ 54,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,972</u>
Total cash basis fund balances	<u>\$ 23,472</u>	<u>\$ 20,608</u>	<u>\$ 54,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,972</u>

See accompanying independent auditor's report.

**City of West Burlington
Statement of Indebtedness
Year Ended June 30, 2017**

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	\$ 268,000	\$ -	\$ 19,000	\$ 249,000	\$ 8,040	\$ -
Street and storm sewer improvement note	4/15/11	2.00-3.00%	2,715,000	160,000	-	30,000	130,000	4,800	-
Aerial fire truck note	5/04/11	2.50-3.20%	750,000	395,000	-	75,000	320,000	11,453	-
Public works building	8/15/13	2.00-2.10%	3,750,000	3,615,000	-	850,000	2,765,000	73,235	-
Street improvements	4/19/17	1.70-3.00%	3,780,000	-	<u>3,780,000</u>	-	<u>3,780,000</u>	-	-
Total				<u>\$ 4,438,000</u>	<u>\$ 3,780,000</u>	<u>\$ 974,000</u>	<u>\$ 7,244,000</u>	<u>\$ 97,528</u>	<u>\$ -</u>
Capital lease:									
Dell equipment	9/16/16	0.00%	\$ 77,302	<u>\$ -</u>	<u>\$ 77,309</u>	<u>\$ 17,180</u>	<u>\$ 60,129</u>	<u>\$ -</u>	<u>\$ -</u>
Water revenue note:									
Water revenue bond	8/20/08	3.00%	\$ 330,000	<u>\$ 247,000</u>	<u>\$ -</u>	<u>\$ 17,000</u>	<u>\$ 230,000</u>	<u>\$ 7,410</u>	<u>\$ -</u>
Sewer revenue note:									
Sewer revenue note	9/19/14	0.00%	\$ 687,000	<u>\$ 233,978</u>	<u>\$ 451,029</u>	<u>\$ -</u>	<u>\$ 685,007</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of West Burlington
Bond and Note Maturities
June 30, 2017**

General Obligation Bonds											
Year Ending June 30,	Water Improvement Loan Agreement August 27, 2008		Street and Storm Sewer Improvement Notes April 15, 2011		Aerial Fire Truck Note May 4, 2011		Public Works Building Bond August 15, 2013		Street Improvements Bond April 19, 2017		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2018	3.00%	\$ 19,000	3.00%	\$ 30,000	2.60%	\$ 75,000	2.00%	\$ 910,000	1.70%	\$ -	\$ 1,034,000
2019	3.00%	20,000	3.00%	30,000	2.90%	80,000	2.00%	920,000	1.70%	10,000	1,060,000
2020	3.00%	21,000	3.00%	35,000	3.00%	80,000	2.10%	935,000	1.70%	10,000	1,081,000
2021	3.00%	21,000	3.00%	35,000	3.20%	85,000	-	-	3.00%	505,000	646,000
2022	3.00%	22,000	-	-	-	-	-	-	3.00%	515,000	537,000
2023	3.00%	23,000	-	-	-	-	-	-	3.00%	530,000	553,000
2024	3.00%	23,000	-	-	-	-	-	-	3.00%	540,000	563,000
2025	3.00%	24,000	-	-	-	-	-	-	3.00%	540,000	564,000
2026	3.00%	25,000	-	-	-	-	-	-	3.00%	555,000	580,000
2027	3.00%	25,000	-	-	-	-	-	-	3.00%	575,000	600,000
2028	3.00%	26,000	-	-	-	-	-	-	-	-	26,000
		<u>\$ 249,000</u>		<u>\$ 130,000</u>		<u>\$ 320,000</u>		<u>\$ 2,765,000</u>		<u>\$ 3,780,000</u>	<u>\$ 7,244,000</u>

Water Revenue			Sewer Revenue Note		Capital Lease	
	Bond		September 19, 2014		September 16, 2016	
Year						
Ending	Interest		Interest		Interest	
June 30,	Rate	Amount	Rate	Amount	Rate	Amount
2018	3.00%	\$ 18,000	0.00%	\$ 685,007	0.00%	\$ 25,770
2019	3.00%	19,000	-	-	0.00%	25,770
2020	3.00%	19,000	-	-	0.00%	8,589
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>\$ 230,000</u>		<u>\$ 685,007</u>		<u>\$ 60,129</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,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:										
Property tax	\$ 1,363,694	\$ 1,313,569	\$ 1,238,185	\$ 1,015,825	\$ 994,156	\$ 1,036,015	\$ 829,024	\$ 826,745	\$ 838,637	\$ 931,804
Tax increment financing collections	1,098,600	1,022,914	1,347,323	2,191,607	2,286,752	2,063,536	2,195,063	1,968,925	1,681,414	1,985,012
Other city taxes	692,646	639,059	573,937	513,397	492,940	548,004	687,589	646,133	643,872	537,495
Use of money and property	65,915	55,816	49,883	62,483	45,382	62,659	86,253	82,954	121,715	168,496
Licenses and permits	103,759	155,359	79,247	70,149	157,926	103,477	124,884	45,790	49,658	65,219
Intergovernmental	647,294	602,026	730,494	509,171	513,304	564,370	717,810	377,192	364,218	578,484
Charges for services	203,600	235,229	227,829	242,033	237,721	256,167	234,543	206,329	227,427	160,947
Miscellaneous	<u>314,969</u>	<u>359,373</u>	<u>390,052</u>	<u>338,356</u>	<u>379,599</u>	<u>326,069</u>	<u>322,116</u>	<u>262,142</u>	<u>284,720</u>	<u>364,415</u>
Total	<u>\$ 4,490,477</u>	<u>\$ 4,383,345</u>	<u>\$ 4,636,950</u>	<u>\$ 4,943,021</u>	<u>\$ 5,107,780</u>	<u>\$ 4,960,297</u>	<u>\$ 5,197,282</u>	<u>\$ 4,416,210</u>	<u>\$ 4,211,661</u>	<u>\$ 4,791,872</u>
Disbursements:										
Operating:										
Public safety	\$ 1,562,310	\$ 1,323,022	\$ 1,697,358	\$ 1,449,154	\$ 1,396,490	\$ 1,714,660	\$ 2,292,531	\$ 1,179,756	\$ 1,120,511	\$ 1,049,996
Public works	624,665	567,937	584,207	646,950	562,654	549,885	629,415	622,353	510,378	506,502
Culture and recreation	191,547	244,742	226,854	269,561	263,077	291,914	255,802	221,293	289,096	111,732
Community and economic development	11,976	18,956	271,361	360,794	629,285	731,704	781,084	277,976	229,542	205,075
General government	653,185	528,730	530,052	488,495	418,257	576,347	424,320	437,693	433,061	457,439
Debt service	1,074,048	1,006,245	932,805	1,794,246	1,494,700	1,742,163	1,707,417	1,763,709	1,358,394	1,118,458
Capital projects	<u>168,965</u>	<u>201,089</u>	<u>1,602,492</u>	<u>2,151,287</u>	<u>729,741</u>	<u>2,351,135</u>	<u>601,248</u>	<u>469,288</u>	<u>755,856</u>	<u>4,911,209</u>
Total	<u>\$ 4,286,696</u>	<u>\$ 3,890,721</u>	<u>\$ 5,845,129</u>	<u>\$ 7,160,487</u>	<u>\$ 5,494,204</u>	<u>\$ 7,957,808</u>	<u>\$ 6,691,817</u>	<u>\$ 4,972,068</u>	<u>\$ 4,696,838</u>	<u>\$ 8,360,411</u>

See accompanying independent auditor's report.

City of West Burlington
Schedule of Selected Employee Related Expenses

	Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Disbursements:										
Gross salaries	\$ 1,435,953	\$ 1,376,612	\$ 1,385,999	\$ 1,416,209	\$ 1,357,800	\$ 1,351,400	\$ 1,351,100	\$ 1,336,200	\$ 1,338,300	\$ 1,203,900
FICA expense	105,742	101,737	102,700	105,029	100,900	99,600	99,200	98,500	98,800	89,500
IPERS & ICMA expense	<u>131,079</u>	<u>118,734</u>	<u>121,971</u>	<u>122,649</u>	<u>115,800</u>	<u>111,800</u>	<u>101,800</u>	<u>95,600</u>	<u>87,100</u>	<u>82,800</u>
Total	<u>\$ 1,672,774</u>	<u>\$ 1,597,083</u>	<u>\$ 1,610,670</u>	<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>

See accompanying independent auditor's report.



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 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 of the City of West Burlington, Iowa (City), as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2017. 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 have not been 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-17 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, 2017 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 1, 2017

**City of West Burlington
Schedule of Findings
Year Ended June 30, 2017**

Part I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCY

I-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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, 2017**

Part II: Other Findings Related to Required Statutory Reporting

- II-A-17 Certified Budget - Disbursements during the year ended June 30, 2017 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-17 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-17 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-17 Business Transactions - No business transactions between the City and City officials or employees were found.
- II-E-17 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 that the coverage is adequate for current operations.
- II-F-17 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-17 Bonds and Revenue Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-H-17 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.
- II-I-17 Delinquent Utility Accounts - At June 30, 2017, two 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-17 Urban Renewal Annual Report - The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.