



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

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

April 20, 2017

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$1,574,618 for the year ended June 30, 2016, a 13.9% increase over the prior year. The receipts included \$407,558 in property tax, \$290,991 from tax increment financing, \$587,612 from charges for service, \$277,709 from operating grants, contributions and restricted interest, \$4,378 from unrestricted interest on investments and \$6,370 from commercial/industrial tax replacement.

Disbursements for the year ended June 30, 2016 totaled \$1,692,835, a 33.8% increase over the prior year, and included \$304,451 for public safety, \$255,868 for culture and recreation and \$250,197 for public works. Also, disbursements for business type activities totaled \$354,490. The significant increase in disbursements is due primarily to the City opening a parks and recreation department as well as an increase in public safety equipment purchases.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1621-0239-B00F>.

#

CITY OF VAN METER

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

JUNE 30, 2016

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-7
Management's Discussion and Analysis	9-14
 Basic Financial Statements:	 <u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 16-17
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 18-19
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 21
Notes to Financial Statements	23-31
 Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	34-35
Notes to Other Information – Budgetary Reporting	36
Schedule of the City's Proportionate Share of the Net Pension Liability	37
Schedule of City Contributions	38-39
Notes to Other Information – Pension Liability	40
 Supplementary Information:	 <u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 42-43
Schedule of Indebtedness	2 44-45
Bond Maturities	3 46
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	49-50
Schedule of Findings	51-55
Staff	56

City of Van Meter

Officials

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
Allan Adams	Mayor	Jan 2016
Kimberly Sacker	Mayor Pro tem	Jan 2016
Bob Lacy	Council Member	Jan 2016
Mike Peterson	Council Member	Jan 2018
Owen Stump	Council Member	Jan 2018
Elizabeth Tweed	Council Member	Jan 2018
Jake Anderson	City Administrator/City Clerk	Indefinite
Liz Thompson	Deputy Clerk	Indefinite
Erik Fisk	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
Allan Adams	Mayor	Jan 2020
Kimberly Sacker	Mayor Pro tem	Jan 2020
Mike Peterson	Council Member	Jan 2018
Owen Stump	Council Member	Jan 2018
Elizabeth Tweed	Council Member	Jan 2018
Lyn Lyon	Council Member	Jan 2020
Jake Anderson	City Administrator/City Clerk	Indefinite
Liz Thompson	Deputy Clerk	Indefinite
Erik Fisk	Attorney	Indefinite

City of Van Meter



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter as of June 30, 2016, 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 discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Van Meter's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2015 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, 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 9 through 14 and 34 through 40, 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 March 20, 2017 on our consideration of the City of Van Meter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Van Meter's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA
Auditor of State

March 20, 2017

City of Van Meter

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Van Meter 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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 14.3%, or approximately \$153,000, from fiscal year 2015. Operating grants, contributions and restricted interest increased approximately \$77,000, primarily due to the City receiving a federal emergency management agency grant in fiscal year 2016, and tax increment financing increased approximately \$53,000 due to an increase in the tax increment financing debt certification for fiscal year 2016.
- Disbursements of the City's governmental activities increased 38%, or approximately \$370,000, in fiscal year 2016 from fiscal year 2015. Culture and recreation, public safety, and public works disbursements increased approximately \$160,000, \$148,000 and \$59,000, respectively. This increase was primarily due to the City opening a parks and recreation department as well as purchasing more public safety equipment than in the prior year.
- The City's total cash basis net position decreased 9.7%, or \$118,239, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of governmental activities decreased \$116,194 and the cash basis net position of business type activities decreased \$2,045.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

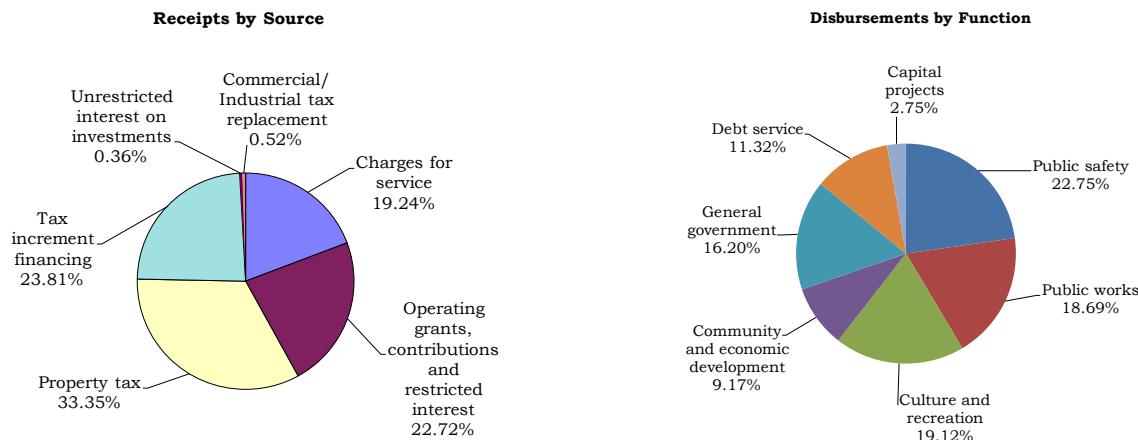
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1,074,000 to approximately \$958,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 235,167	213,255
Operating grants, contributions and restricted interest	277,709	201,111
General receipts:		
Property tax	407,558	407,827
Tax increment financing	290,991	238,401
Commercial/Industrial tax replacement	6,370	3,231
Unrestricted interest on investments	4,378	5,348
Total receipts	1,222,173	1,069,173
Disbursements:		
Public safety	304,451	156,945
Public works	250,197	191,053
Health and social services	-	600
Culture and recreation	255,868	96,280
Community and economic development	122,717	143,159
General government	216,856	213,083
Debt service	151,453	153,483
Capital projects	36,825	13,681
Total disbursements	1,338,367	968,284
Change in cash basis net position before transfers	(116,194)	100,889
Transfers, net	-	1,032
Change in cash basis net position	(116,194)	101,921
Cash basis net position beginning of year	1,074,178	972,257
Cash basis net position end of year	\$ 957,984	1,074,178



The City's total receipts for governmental activities increased 14.3%, or approximately \$153,000, over the prior year. The total cost of all programs and services increased approximately \$370,000, or 38%, over the prior year with the City adding a parks and recreation department this year. The significant increase in receipts was primarily the result of an increase in federal grants as well as an increase in tax increment financing receipts.

The cost of all governmental activities this year was approximately \$1,338,000 compared to approximately \$968,000 last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$825,000 because some of the cost was paid by those who directly benefited from the programs (approximately \$235,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$278,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest and commercial/industrial tax replacement. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$414,000 to approximately \$513,000, principally due to an increase in federal grant receipts and charges for service related to the parks and recreation department.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 209,865	180,789
Sewer	142,580	132,107
Total receipts	352,445	312,896
Disbursements:		
Water	211,321	168,660
Sewer	143,169	128,014
Total disbursements	354,490	296,674
Change in cash basis net position before transfers	(2,045)	16,222
Transfers, net	-	(1,032)
Change in cash basis net position	(2,045)	15,190
Cash basis net position beginning of year	143,763	128,573
Cash basis net position end of year	\$ 141,718	143,763

The City's cash balance for business type activities decreased from \$143,763 to \$141,718.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Van Meter completed the year, its governmental funds reported a combined fund balance of \$957,984, a decrease of \$116,194 from last year's total of \$1,074,178. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$23,985 from the prior year to \$169,046, primarily due to the City transferring funds from Special Revenue, Park Subdivision Trust to the Park Operations Account within the General Fund.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$15,511 to \$60,387. This decrease was due to an increase in street maintenance work in fiscal year 2016.

- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$86,480 to \$388,578. These resources will be used to pay certified TIF indebtedness.
- The Debt Service Fund cash balance increased \$18,465 to \$5,001. The increase is primarily due to the City transferring tax increment financing prior to the debt payment coming due.
- The Capital Projects Fund cash balance decreased \$36,825 to \$147,389. The decrease is primarily due to ongoing capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$1,456 to \$129,934. \$37,710 of the cash balance is restricted for capital projects.
- The Enterprise, Sewer Fund cash balance decreased \$589 to \$11,784.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2016 and resulted in an increase in budgeted operating disbursements of \$140,000, primarily related to the hiring of an additional police officer, the well field exploration project and the hiring of a temporary clerk.

The City's receipts were \$394,410 more than budgeted. This was primarily due to the City receiving more tax increment financing, federal grant and charges for service receipts than anticipated.

The City's disbursements were \$328,109 more than the amended budget. This was primarily due to the purchase of public safety equipment as well as the startup of the parks and recreation department.

Even with the budget amendment, the City exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities functions for the year ended June 30, 2016 due to increased disbursements for general operations.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$1,135,000 of bonds outstanding and \$17,000 of lease-purchase agreement debt outstanding, compared to \$1,240,000 of bonds and \$29,000 of lease-purchase agreement debt outstanding last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)			
	June 30,		
	2016	2015	
General obligation bonds	\$ 1,135,000	1,240,000	
Lease-purchase agreement	17,000	29,000	
Total	\$ 1,152,000	1,269,000	

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$1,281,801 (including \$129,801 of annually appropriated developer agreements) is significantly below its constitutional debt limit of approximately \$3 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Van Meter's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment as of September 2016 for Dallas County stands at 2.9%, which compares with the State's unemployment rate of 4.2% and the national unemployment rate of 5.0%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are approximately \$2,500,000, an increase of 18.6% from the final fiscal year 2016 budget. The increase is due to an expected increase in charges for service due to an increase in utility rates as well as charges related to the parks and recreation department. There are no debt issuances budgeted in fiscal year 2017. Budgeted disbursements are expected to decrease approximately \$320,000 from the final fiscal year 2016 budget. The City has added no major new programs or initiatives to the fiscal year 2017 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$322,000 by the close of fiscal year 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jake Anderson, City Administrator, 505 Grant Street, PO Box 160, Van Meter, Iowa 50261.

Basic Financial Statements

City of Van Meter

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Program Receipts		
	Operating Grants, Contributions	Charges for Disbursements	and Restricted Service Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 304,451	1,500	71,165
Public works	250,197	135,132	125,297
Culture and recreation	255,868	27,572	26,483
Community and economic development	122,717	53,117	54,764
General government	216,856	17,846	-
Debt service	151,453	-	-
Capital projects	36,825	-	-
Total governmental activities	<u>1,338,367</u>	<u>235,167</u>	<u>277,709</u>
Business type activities:			
Water	211,321	209,865	-
Sewer	143,169	142,580	-
Total business type activities	<u>354,490</u>	<u>352,445</u>	-
Total	<u>\$ 1,692,857</u>	<u>587,612</u>	<u>277,709</u>
General Receipts:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Commercial/industrial tax replacement			
Unrestricted interest on investments			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

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

Governmental Activities	Business Activities	Type Total
-------------------------	---------------------	------------

(231,786)	-	(231,786)
10,232	-	10,232
(201,813)	-	(201,813)
(14,836)	-	(14,836)
(199,010)	-	(199,010)
(151,453)	-	(151,453)
(36,825)	-	(36,825)
<hr/>	<hr/>	<hr/>
(825,491)	-	(825,491)
<hr/>	<hr/>	<hr/>
-	(1,456)	(1,456)
-	(589)	(589)
<hr/>	<hr/>	<hr/>
-	(2,045)	(2,045)
<hr/>	<hr/>	<hr/>
(825,491)	(2,045)	(827,536)

321,217	-	321,217
86,341	-	86,341
290,991	-	290,991
6,370	-	6,370
4,378	-	4,378
<hr/>	<hr/>	<hr/>
709,297	-	709,297
<hr/>	<hr/>	<hr/>
(116,194)	(2,045)	(118,239)
<hr/>	<hr/>	<hr/>
1,074,178	143,763	1,217,941
<hr/>	<hr/>	<hr/>
\$ 957,984	141,718	1,099,702

\$ 23,700	-	23,700
<hr/>	<hr/>	<hr/>
60,387	-	60,387
388,578	-	388,578
5,001	-	5,001
147,389	37,710	185,099
163,883	-	163,883
169,046	104,008	273,054
<hr/>	<hr/>	<hr/>
\$ 957,984	141,718	1,099,702

City of Van Meter

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

As of and for the year ended June 30, 2016

	Special Revenue		
	Road Use General	Urban Tax	Renewal Tax Increment
Receipts:			
Property tax	\$ 241,252	-	-
Tax increment financing	-	-	290,991
Other city tax	14,702	-	-
Licenses and permits	79,723	-	-
Use of money and property	4,364	11	-
Intergovernmental	109,089	125,297	-
Charges for service	127,945	-	-
Miscellaneous	24,616	-	-
Total receipts	601,691	125,308	290,991
Disbursements:			
Operating:			
Public safety	242,322	-	-
Public works	96,025	140,819	-
Culture and recreation	133,579	-	-
Community and economic development	762	-	121,955
General government	199,097	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	671,785	140,819	121,955
Excess (deficiency) of receipts over (under) disbursements	(70,094)	(15,511)	169,036
Other financing sources (uses):			
Transfers in	150,129	-	-
Transfers out	(56,050)	-	(82,556)
Total other financing sources (uses)	94,079	-	(82,556)
Change in cash balances	23,985	(15,511)	86,480
Cash balances beginning of year	145,061	75,898	302,098
Cash balances end of year	\$ 169,046	60,387	388,578
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	- 60,387	-	-
Urban renewal purposes	- -	388,578	-
Debt service	- -	-	-
Capital projects	- -	-	-
Other purposes	- -	-	-
Unassigned	169,046	-	-
Total cash basis fund balances	\$ 169,046	60,387	388,578

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
82,820	-	61,504	385,576
-	-	-	290,991
3,521	-	3,759	21,982
-	-	-	79,723
-	-	4	4,379
1,021	-	5,375	240,782
-	-	350	128,295
-	-	45,829	70,445
<u>87,362</u>	<u>-</u>	<u>116,821</u>	<u>1,222,173</u>
-	-	62,129	304,451
-	-	13,353	250,197
-	-	122,289	255,868
-	-	-	122,717
-	-	17,759	216,856
151,453	-	-	151,453
-	36,825	-	36,825
<u>151,453</u>	<u>36,825</u>	<u>215,530</u>	<u>1,338,367</u>
(64,091)	(36,825)	(98,709)	(116,194)
82,556	-	56,050	288,735
-	-	(150,129)	(288,735)
<u>82,556</u>	<u>-</u>	<u>(94,079)</u>	<u>-</u>
18,465	(36,825)	(192,788)	(116,194)
<u>(13,464)</u>	<u>184,214</u>	<u>380,371</u>	<u>1,074,178</u>
5,001	147,389	187,583	957,984
-	-	23,700	23,700
-	-	-	60,387
-	-	-	388,578
5,001	-	-	5,001
-	147,389	-	147,389
-	-	163,883	163,883
-	-	-	169,046
<u>5,001</u>	<u>147,389</u>	<u>187,583</u>	<u>957,984</u>

City of Van Meter

City of Van Meter

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

As of and for the year ended June 30, 2016

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 209,865	142,580	352,445
Operating disbursements:			
Business type activities	211,321	143,169	354,490
Change in cash balances	(1,456)	(589)	(2,045)
Cash balances beginning of year	131,390	12,373	143,763
Cash balances end of year	\$ 129,934	11,784	141,718
Cash Basis Fund Balances			
Restricted for capital projects	\$ 37,710	-	37,710
Unrestricted	92,224	11,784	104,008
Total cash basis fund balances	\$ 129,934	11,784	141,718

See notes to financial statements.

City of Van Meter

City of Van Meter

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Van Meter is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Van Meter (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational financial relationship with the City.

Blended Component Unit

The Van Meter Firefighters Association (Association) was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. The Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Association is legally separate from the City, its purpose is to benefit the City of Van Meter (the primary government) by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and Dallas County Joint E-911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Debt Service Fund is used 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 and other capital assets.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 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 Governmental Accounting Standards Board Statement No. 72.

(3) Indebtedness

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 105,000	42,177	147,177
2018	135,000	39,478	174,478
2019	90,000	35,807	125,807
2020	55,000	33,037	88,037
2021	55,000	31,287	86,287
2022-2026	325,000	124,663	449,663
2027-2031	285,000	60,413	345,413
2032-2033	85,000	6,175	91,175
Total	\$ 1,135,000	373,037	1,508,037

Lease-Purchase Agreement

On July 14, 2014, the City entered into an interest free lease-purchase agreement for the Bob Feller Museum. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2016:

Year Ending June 30,	Amount
2017	\$ 12,000
2018	5,000
Total minimum lease payments	\$ 17,000

Payments under this lease-purchase agreement totaled \$12,000 during the year ended June 30, 2016.

(4) Pension Plan

Plan Description – 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 the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO 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.

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation members’ 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 2016, 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%. Protective 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, 2016 were \$34,665.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$173,559 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2015, the City’s proportion was 0.003513%, which was no change from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$17,242, \$44,596 and \$53,390, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 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, 2015 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.

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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u><u>100%</u></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, 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 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	\$ 338,375	173,559	34,487

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 7 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$435 for single coverage and \$1,336 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2016, the City contributed \$106,452 and plan members eligible for benefits did not contribute to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2016, primarily relating to the General Fund, is \$19,300 for vacation. This liability has been computed based on rates of pay in effect at June 30, 2016.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 6,355
	Park Subdivision Trust	<u>143,774</u>
		<u>150,129</u>
Special Revenue:		
VM Community Betterment	General	<u>1,000</u>
Library Trust	General	<u>55,050</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>82,556</u>
Total		<u>\$ 288,735</u>

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

(8) Development Agreements

The City entered into two development agreements to assist in urban renewal projects, as follows:

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City under this agreement is not to exceed the lesser of the amount of the developer's improvement costs or \$250,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by section 403.22 of the Code of Iowa. The low and moderate income set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. During the year ended June 30, 2016, \$15,165 was rebated to the developer. The outstanding balance on this agreement at June 30, 2016 is \$141,664, which is subject to annual appropriation.

The City agreed to assist in urban renewal projects for the development of improvements to the sanitary sewer, water utility and street systems. The developer proposed to pay the initial costs of constructing the project improvements provided the City agreed to provide tax increment financing assistance to the developer to repay the costs over time. The City agreed to make annual payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City is not to exceed the developer's improvement costs or \$1,300,000. The agreement consists of three phases and the duration of the agreements is ten years for each of the three phases. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The low and moderate income set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. During the year ended June 30, 2016, \$106,790 was rebated to the developer. The outstanding balance on this agreement at June 30, 2016 is \$764,615, which is subject to annual appropriation.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) New Accounting Pronouncement

The City of Van Meter adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

City of Van Meter

Other Information

City of Van Meter

**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, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	385,576	-	-
Tax increment financing	290,991	-	-
Other city tax	21,982	-	-
Licenses and permits	79,723	-	-
Use of money and property	4,379	-	2
Intergovernmental	240,782	-	-
Charges for service	128,295	352,445	-
Miscellaneous	70,445	-	21,098
Total receipts	1,222,173	352,445	21,100
Disbursements:			
Public safety	304,451	-	22,835
Public works	250,197	-	-
Culture and recreation	255,868	-	-
Community and economic development	122,717	-	-
General government	216,856	-	-
Debt service	151,453	-	-
Capital projects	36,825	-	-
Business type activities	-	354,490	-
Total disbursements	1,338,367	354,490	22,835
Excess (deficiency) of receipts over (under) disbursements	(116,194)	(2,045)	(1,735)
Balances beginning of year	1,074,178	143,763	13,994
Balances end of year	\$ 957,984	141,718	12,259

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
385,576	381,851	381,851	3,725
290,991	170,511	170,511	120,480
21,982	22,684	22,684	(702)
79,723	8,800	8,800	70,923
4,377	49,000	49,000	(44,623)
240,782	129,049	179,049	61,733
480,740	333,997	333,997	146,743
49,347	13,213	13,213	36,134
1,553,518	1,109,105	1,159,105	394,413
281,616	157,599	207,599	(74,017)
250,197	280,619	280,619	30,422
255,868	140,485	140,485	(115,383)
122,717	84,240	104,240	(18,477)
216,856	151,152	176,152	(40,704)
151,453	110,285	110,285	(41,168)
36,825	-	-	(36,825)
354,490	277,533	322,533	(31,957)
1,670,022	1,201,913	1,341,913	(328,109)
(116,504)	(92,808)	(182,808)	66,304
1,203,947	937,409	937,409	266,538
1,087,443	844,601	754,601	332,842

City of Van Meter

Notes to Other Information – Budgetary Reporting

June 30, 2016

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$140,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities functions.

City of Van Meter
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Two Years*

Other Information

	2016	2015
City's proportion of the net pension liability	0.003513%	0.003513%
City's proportionate share of the net pension liability	\$ 173,559	139,339
City's covered-employee payroll	\$ 306,666	298,437
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.60%	46.69%
IPERS' net position as a percentage of the total 'pension liability'	85.19%	87.61%

* In accordance with GASB No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Van Meter
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 34,665	28,059	27,249	20,750
Contributions in relation to the statutorily required contribution	<u>(34,665)</u>	<u>(28,059)</u>	<u>(27,249)</u>	<u>(20,750)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 380,486	306,666	298,437	233,794
Contributions as a percentage of covered-employee payroll	9.11%	9.15%	9.13%	8.88%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
19,829	17,566	16,731	14,255	13,020	12,678
(19,829)	(17,566)	(16,731)	(14,255)	(13,020)	(12,678)
-	-	-	-	-	-
235,409	238,949	236,488	210,440	197,850	195,446
8.42%	7.35%	7.07%	6.77%	6.58%	6.49%

City of Van Meter

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation passed 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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

City of Van Meter

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

As of and for the year ended June 30, 2016

	Parks and Recreation Trust	Employee Benefits	Van Meter Firefighters Association
Receipts:			
Property tax	\$ -	55,229	-
Other city tax	- -	3,374	-
Use of money and property	1 -	- -	2 -
Intergovernmental	- -	978	-
Charges for service	- -	- -	-
Miscellaneous	11,046 -	- -	21,098 -
Total receipts	11,047	59,581	21,100
Disbursements:			
Public safety	- -	39,294	22,835
Public works	- -	13,353	-
Culture and recreation	6,650 -	45,993	-
General government	- -	17,759	-
Total disbursements	6,650	116,399	22,835
Excess (deficiency) of receipts over (under) disbursements	4,397	(56,818)	(1,735)
Other financing sources (uses):			
Transfers in	- -	- -	-
Transfers out	- -	- -	-
Total other financing sources (uses)	- -	- -	- -
Change in cash balances	4,397	(56,818)	(1,735)
Cash balances beginning of year	32,389	109,402	13,994
Cash balances end of year	\$ 36,786	52,584	12,259
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ - -	- -	-
Restricted for other purposes	36,786 -	52,584	12,259
Total cash basis fund balances	\$ 36,786	52,584	12,259

See accompanying independent auditor's report.

Special Revenue				Permanent		
VM Community Betterment	Library Trust	Park Subdivision Emergency	Perpetual Care		Total	
-	-	6,275	-	-	61,504	
-	-	385	-	-	3,759	
-	1	-	-	-	4	
-	4,285	112	-	-	5,375	
-	-	-	-	350	350	
8,927	1,758	-	-	3,000	45,829	
8,927	6,044	6,772	-	3,350	116,821	
<hr/>						
-	-	-	-	-	62,129	
-	-	-	-	-	13,353	
8,159	61,487	-	-	-	122,289	
-	-	-	-	-	17,759	
8,159	61,487	-	-	-	215,530	
<hr/>						
768	(55,443)	6,772	-	3,350	(98,709)	
<hr/>						
1,000	55,050	-	-	-	56,050	
-	-	(6,355)	(143,774)	-	(150,129)	
1,000	55,050	(6,355)	(143,774)	-	(94,079)	
1,768	(393)	417	(143,774)	3,350	(192,788)	
2,202	58,223	37	143,774	20,350	380,371	
3,970	57,830	454	-	23,700	187,583	
<hr/>						
-	-	-	-	23,700	23,700	
3,970	57,830	454	-	-	163,883	
3,970	57,830	454	-	23,700	187,583	

City of Van Meter

Schedule of Indebtedness

Year ended June 30, 2016

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Street improvement	Aug 27, 2008	3.20-4.20%	\$ 300,000
Water improvement	Aug 15, 2011	4.00-4.75	265,000
Corporate purpose and refunding	Sep 9, 2013	1.00-4.75	995,000
Total			
Lease-purchase agreement:			
Bob Feller Museum	Jul 14, 2014	0.00-0.00%	\$ 39,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
135,000	-	30,000	105,000	5,540
235,000	-	10,000	225,000	10,600
870,000	-	65,000	805,000	28,613
\$ 1,240,000	-	105,000	1,135,000	44,753
29,000	-	12,000	17,000	-

Schedule 3

City of Van Meter

Bond Maturities

June 30, 2016

Year Ending June 30,	General Obligation Bonds						
	Street Improvement Issued Aug 27, 2008		Water Improvement Issued Aug 15, 2011		Corporate Purpose and Refunding Issued Sep 9, 2013		
	Interest	Rates	Interest	Rates	Interest	Rates	Total
2017	4.00%	\$ 35,000	4.00%	\$ 10,000	1.50%	\$ 60,000	105,000
2018	4.20	35,000	4.00	10,000	2.00	90,000	135,000
2019	4.20	35,000	4.00	10,000	2.00	45,000	90,000
2020		-	4.00	10,000	3.00	45,000	55,000
2021		-	4.00	10,000	3.00	45,000	55,000
2022		-	4.00	15,000	3.00	45,000	60,000
2023		-	4.75	15,000	3.50	50,000	65,000
2024		-	4.75	15,000	3.50	50,000	65,000
2025		-	4.75	15,000	4.00	55,000	70,000
2026		-	4.75	15,000	4.00	50,000	65,000
2027		-	4.75	20,000	4.00	35,000	55,000
2028		-	4.75	20,000	4.50	35,000	55,000
2029		-	4.75	20,000	4.50	35,000	55,000
2030		-	4.75	20,000	4.50	40,000	60,000
2031		-	4.75	20,000	4.75	40,000	60,000
2032		-		-	4.75	40,000	40,000
2033		-		-	4.75	45,000	45,000
Total		<u>\$ 105,000</u>		<u>\$ 225,000</u>		<u>\$ 805,000</u>	<u>1,135,000</u>

See accompanying independent auditor's report.

City of Van Meter

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

For the Last Three Years

	2016	2015	2014
Receipts:			
Property tax	\$ 385,576	385,631	420,233
Tax increment financing	290,991	238,401	197,761
Other city tax	21,982	22,196	90,412
Licenses and permits	79,723	70,737	12,779
Use of money and property	4,379	5,386	5,384
Intergovernmental	240,782	160,719	294,230
Charges for service	128,295	108,760	104,735
Miscellaneous	70,445	77,343	153,557
Total receipts	\$ 1,222,173	1,069,173	1,279,091
Disbursements:			
Operating:			
Public safety	\$ 304,451	156,945	156,002
Public works	250,197	191,053	362,578
Health and social services	-	600	-
Culture and recreation	255,868	96,280	175,079
Community and economic development	122,717	143,159	190,105
General government	216,856	213,083	136,818
Debt service	151,453	153,483	590,200
Capital projects	36,825	13,681	407,558
Total disbursements	\$ 1,338,367	968,284	2,018,340

See accompanying independent auditor's report.

City of Van Meter



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 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 U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Van Meter's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

March 20, 2017

City of Van Meter

Schedule of Findings

Year ended June 30, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) 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 – Generally, a limited number of individuals in the City are responsible for the following areas:

- 1) Cash – bank reconciling, petty cash, change fund, handling and recording.
- 2) Receipts – collecting, depositing, journalizing, posting and daily reconciling. Also, a listing of receipts is not prepared by the mail opener.
- 3) Payroll – check writing, distributing, posting and personnel duties.
- 4) Long-term debt – recording, reconciling and maintaining. Also, paid bonds and coupons are not reconciled by an independent person.
- 5) Journal entries – preparing and journalizing.

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, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The City will utilize the Finance Committee of the City Council to provide further review of bank reconciliations, petty cash, change fund, receipts, payroll, long term debt and journal entries.

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2016

(B) Segregation of Duties (Van Meter Firefighters Association)

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 Association's financial statements.

Condition – One person has control over each of the following areas for the Association:

- 1) Cash – bank reconciling, handling and recording cash. Also, bank reconciliations are not reviewed by an independent person.
- 2) Receipts – collecting, depositing, recording and daily reconciling. Also, a listing of receipts is not prepared by the mail opener.
- 3) Disbursements – preparing and signing checks, approving, recording and posting.

In addition, the Association does not have an accounting policies/procedures manual.

Cause – The Van Meter Firefighters Association 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 Van Meter Firefighters Association'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 Association should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The City will forward the recommendation to the Firefighters Association.

Conclusion – Response accepted.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – The reconciliation of utility billings, collections and delinquent accounts is not reviewed by an independent person.

City of Van Meter
Schedule of Findings
Year ended June 30, 2016

Cause – Procedures have not been implemented to have the reconciliation of utility billings, collections and delinquent accounts reviewed by an independent person.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – The reconciliation of utility billings, collections and delinquent accounts should be reviewed by an independent person.

Response – The Finance Committee of the City Council will provide independent review of the reconciliation of utility billings, collections and delinquent accounts.

Conclusion – Response accepted.

(D) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the City's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition - The City does not have policies and procedures for:

- Password privacy and confidentiality.
- Allowing only authorized personnel to request resetting their own passwords.
- Not allowing another employee to request a reset of a password for another employee and then having access to this password.

Cause – Management has not required policies for the above computer based controls.

Effect – Lack of written policies for computer based systems could result in a loss of data or compromised data, resulting in unreliable financial information.

Recommendation – The City should develop written policies addressing the above items to improve the City's internal control over its computer system.

Response – The City will research policy alternatives and take action accordingly.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in accordance with Chapter 384.20 of the Code of Iowa.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Robert Lacy, Council Member, Owner of Bob's Auto Parts	Parts and supplies	\$ 3,258

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions above may represent a conflict of interest since total transactions with the individual exceeded \$2,500 during the fiscal year and was not competitively bid.

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

Response – Robert Lacy left the City Council on December 31, 2015. Prior to his departure the City had spent \$2,984 at Bob's Auto Parts in fiscal year 2017. While that amount does exceed \$2,500 we have determined that \$484 is not a material conflict of interest. Nevertheless, moving forward the City will monitor these issues more closely and avoid any perceived conflicts of interest.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Van Meter

Schedule of Findings

Year ended June 30, 2016

- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – The resolution naming official depositories adopted by the City does not include the maximum amount that may be kept on deposit in each depository as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

Response – A resolution will be prepared and submitted to the City Council for approval at the April 20, 2017 City Council meeting.

Conclusion – Response accepted.

- (8) Annual Urban Renewal Report – On the Annual Urban Renewal Report, water and sewer improvement general obligation bond debt outstanding does not agree to the City's debt amortization schedules for outstanding principal and interest.

Recommendation – General obligation debt outstanding on the Annual Urban Renewal Report should agree to the City's debt amortization schedules for principal and interest. Controls should be in place to ensure the accurate reporting of debt.

Response – The error is clerical in nature and the Annual Urban Renewal Report will be done with more detailed attention moving forward.

Conclusion – Response accepted.

- (9) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

Response – Given the cost of stop-payment fees at the bank management has been reluctant to process the outstanding obligations. The City will take steps to comply with Chapter 556.11 of the Code of Iowa.

Conclusion – Response accepted.

City of Van Meter

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Joshua W. Ostrander, Senior Auditor
Luke M. Bormann, Assistant Auditor

A handwritten signature in black ink, appearing to read "Andrew E. Nielsen". The signature is fluid and cursive, with "Andrew" on top, "E." in the middle, and "Nielsen" on the bottom right.

Andrew E. Nielsen, CPA
Deputy Auditor of State