



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

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE _____

March 30, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on City of Van Meter, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$2,512,112 for the year ended June 30, 2019, a 4.3% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$1,772,279, a 20.1% decrease from the prior year. The significant decrease in disbursements is due primarily to a decrease in engineering costs and land purchases associated with plans for the municipal water system improvements, decreased street expenses due to the timing of overlay projects and a decrease in scheduled debt principal payments.

AUDIT FINDINGS:

Sand reported fourteen findings for the City related to the receipt and disbursement of taxpayer funds and one finding related to the blended component units. They are found on pages 46 through 54 of this report. The findings address issues such as a lack of segregation of duties, misposting of material amounts of property tax receipts, the lack of an independent review of bank and utility reconciliations, disbursements exceeding budgeted amounts, noncompliance with timeliness of the publication of City Council meeting minutes and incorrect certifications of tax increment financing (TIF) debt. Sand provided the City with recommendations to address each of the findings.

Six of the fourteen findings pertaining to the City and the finding pertaining to the blended component units are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

#

CITY OF VAN METER

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

JUNE 30, 2019

City of Van Meter



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Rob Sand
Auditor of State

March 10, 2020

Officials of the City of Van Meter
Van Meter, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Van Meter for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Van Meter throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-25
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Funds		28-29
Notes to Other Information – Budgetary Reporting		30
Schedule of the City’s Proportionate Share of the Net Pension Liability		31
Schedule of City Contributions		32-33
Notes to Other Information – Pension Liability		34
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	36-37
Schedule of Indebtedness	2	38-39
Bond Maturities	3	41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	42-43
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		44-45
Schedule of Findings		46-54
Staff		55

City of Van Meter

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allan Adams	Mayor	Jan 2020
Kimberly Sacker	Mayor Pro tem	Jan 2020
Lyn Lyon	Council Member	Jan 2020
Adam Coyle	Council Member	Jan 2022
Joe Herman	Council Member	Jan 2022
Steve Meyer	Council Member	Jan 2022
Kyle Michel	City Administrator/City Clerk	Indefinite
Liz Thompson	Deputy Clerk	Indefinite
Gary Goude-lock	Attorney	Indefinite

City of Van Meter



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2019, 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, 2019, 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

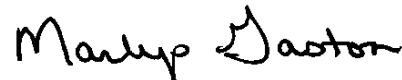
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Van Meter's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, 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 28 through 34, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2020 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 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 the effectiveness of the City's 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 10, 2020

City of Van Meter

Basic Financial Statements

City of Van Meter

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 265,429	-	123,312
Public works	248,176	193,320	131,253
Culture and recreation	366,247	63,145	117,415
Community and economic development	183,261	64,507	-
General government	208,897	1,408	-
Debt service	127,407	-	-
Total governmental activities	<u>1,399,417</u>	<u>322,380</u>	<u>371,980</u>
Business type activities:			
Water	231,356	396,929	-
Sewer	141,506	202,563	-
Total business type activities	<u>372,862</u>	<u>599,492</u>	<u>-</u>
Total	<u>\$ 1,772,279</u>	<u>921,872</u>	<u>371,980</u>
General Receipts:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Commercial/industrial tax replacement			
Unrestricted interest on investments			
Miscellaneous			
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:			
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 Type Activities	Total
(142,117)	-	(142,117)
76,397	-	76,397
(185,687)	-	(185,687)
(118,754)	-	(118,754)
(207,489)	-	(207,489)
(127,407)	-	(127,407)
(705,057)	-	(705,057)
-	165,573	165,573
-	61,057	61,057
-	226,630	226,630
(705,057)	226,630	(478,427)
427,140	-	427,140
82,641	-	82,641
422,507	-	422,507
151,471	-	151,471
9,314	-	9,314
11,475	-	11,475
60,798	52,914	113,712
1,165,346	52,914	1,218,260
460,289	279,544	739,833
1,053,642	340,851	1,394,493
\$ 1,513,931	620,395	2,134,326
\$ 27,000	-	27,000
799,134	-	799,134
23,888	413,148	437,036
318,303	-	318,303
345,606	207,247	552,853
\$ 1,513,931	620,395	2,134,326

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, 2019

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:				
Property Tax	\$ 313,710	-	-	-
Tax increment financing	-	-	-	422,507
Other city tax	13,711	-	151,471	-
Licenses and permits	122,664	-	-	-
Use of money and property	11,475	-	-	-
Intergovernmental	182,422	131,253	-	-
Charges for service	192,421	-	-	-
Miscellaneous	67,431	-	-	-
Total receipts	903,834	131,253	151,471	422,507
Disbursements:				
Operating:				
Public safety	217,400	-	-	-
Public works	104,442	143,734	-	-
Culture and recreation	254,823	-	-	-
Community and economic development	19,888	-	-	163,373
General government	194,809	-	-	-
Debt service	-	-	-	-
Total disbursements	791,362	143,734	-	163,373
Excess (deficiency) of receipts over (under) disbursements	112,472	(12,481)	151,471	259,134
Other financing sources (uses):				
Transfers in	46,415	-	-	-
Transfers out	(83,516)	(15,000)	-	(125,000)
Total other financing sources (uses)	(37,101)	(15,000)	-	(125,000)
Change in cash balances	75,371	(27,481)	151,471	134,134
Cash balances (deficit) beginning of year	272,386	25,330	-	654,092
Cash balances (deficit) end of year	\$ 347,757	(2,151)	151,471	788,226
Cash Basis Fund Balances (Deficits)				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	-	-	-
Debt service	-	-	-	788,226
Capital projects	-	-	-	-
Other purposes	-	-	151,471	-
Unassigned	347,757	(2,151)	-	-
Total cash basis fund balances	\$ 347,757	(2,151)	151,471	788,226

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
81,653	-	95,356	490,719
-	-	-	422,507
988	-	4,363	170,533
-	-	-	122,664
-	-	139	11,614
275	-	6,890	320,840
-	-	650	193,071
-	-	60,327	127,758
82,916	-	167,725	1,859,706
-	-	48,029	265,429
-	-	-	248,176
-	-	111,424	366,247
-	-	-	183,261
-	-	14,088	208,897
127,407	-	-	127,407
127,407	-	173,541	1,399,417
(44,491)	-	(5,816)	460,289
93,585	-	83,516	223,516
-	-	-	(223,516)
93,585	-	83,516	-
49,094	-	77,700	460,289
(38,186)	23,888	116,132	1,053,642
10,908	23,888	193,832	1,513,931
-	-	27,000	27,000
-	-	-	-
10,908	-	-	799,134
-	23,888	-	23,888
-	-	166,832	318,303
-	-	-	345,606
10,908	23,888	193,832	1,513,931

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, 2019

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 396,929	202,563	599,492
Operating disbursements:			
Business type activities	215,053	140,044	355,097
Excess of operating receipts over operating disbursements	181,876	62,519	244,395
Non-operating receipts (disbursements):			
Water tower rent	52,914	-	52,914
Capital outlay	(16,303)	(1,462)	(17,765)
Net non-operating receipts (disbursements)	36,611	(1,462)	35,149
Change in cash balances	218,487	61,057	279,544
Cash balances beginning of year	332,626	8,225	340,851
Cash balances end of year	\$ 551,113	69,282	620,395
Cash Basis Fund Balances			
Restricted for capital projects	407,400	5,748	413,148
Unrestricted	143,713	63,534	207,247
Total cash basis fund balances	\$ 551,113	69,282	620,395

City of Van Meter

Notes to Financial Statements

June 30, 2019

(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 Units

The Van Meter Firefighters Association (Association) and the Van Meter Public Library Foundation (Foundation) were established as non-profit corporations in accordance with Chapter 504A of the Code of Iowa. The Association and Foundation are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the Special Revenue Funds. Although the Van Meter Fire Association and Van Meter Public Library Foundation are legally separate from the City, their 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 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 receipts, 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. Net position restricted through enabling Legislation consists of \$369,690 for water improvements and \$5,748 for sewer improvements.

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 Local Option Sales Tax (LOST) Fund is utilized to account for the collection and use of the local option sales tax, for purposes authorized in the LOST referendum.

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, 2019, disbursements in the culture and recreation function exceeded the budget prior to amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2019 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
2020	\$ 55,000	33,037	88,037
2021	55,000	31,287	86,287
2022	60,000	29,538	89,538
2023	65,000	27,588	92,588
2024	65,000	25,125	90,125
2025-2029	300,000	86,300	386,300
2030-2033	205,000	22,700	227,700
Total	\$ 805,000	255,575	1,060,575

Water Revenue Loan and Disbursement Agreement Anticipation Project Note

On March 27, 2015, the City approved an interest free water revenue loan and disbursement agreement interim project anticipation note issued to the Iowa Finance Authority for up to \$185,000 to pay the costs of planning, designing and constructing improvements and extensions to the municipal water system. The note proceeds were drawn by the City during fiscal year 2018. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan and disbursement agreement and a corresponding issuance of water revenue bonds in an amount sufficient to repay the note. The note is payable on March 27, 2021.

(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 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 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City’s contributions to IPERS for the year ended June 30, 2019 were \$35,886.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$242,486 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City’s proportion was 0.003833%, which was a decrease of .000296% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$42,634, \$86,900 and \$56,449, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 476,271	242,486	46,471

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. Group insurance benefits are established under Iowa Code Chapter 509A.13. 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 range from \$566 for single coverage to \$1,698 for family coverage. For the year ended June 30, 2019, the City contributed \$62,835 and plan members eligible for benefits contributed \$8,244 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Van Meter and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>6</u>
Total	<u>6</u>

(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, 2019, primarily relating to the General Fund, is \$4,500 for vacation. This liability has been computed based on rates of pay in effect at June 30, 2019.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 31,415
	Road Use Tax	<u>15,000</u>
		<u>46,415</u>
Special Revenue:		
Parks and Recreation Trust	General	<u>8,966</u>
VM Community Betterment	General	<u>1,500</u>
Library Trust	General	<u>73,050</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>93,585</u>
Total		<u>\$ 223,516</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 a development agreement to assist in urban renewal projects for the development of improvements to the sanitary sewer, water utility and street systems to support a new residential subdivision. 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 of \$1,178,530. 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, 2019, \$150,000 was rebated to the developer. The outstanding balance on this agreement at June 30, 2019 is \$218,513, 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) 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 receipts 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 with developers which require the City, after developers meet the terms of the 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, 2019, the City abated \$66,277 of property tax under the urban renewal and economic development agreements.

(11) Deficit Balance

The Special Revenue, Road Use Tax Fund has a deficit balance of \$2,151 at June 30, 2019. The deficit balance will be eliminated through the collection of future road use tax receipts.

(12) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

City of Van Meter

Other Information

City of Van Meter
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 490,719	-	-
Tax increment financing	422,507	-	-
Other city tax	170,533	-	-
Licenses and permits	122,664	-	-
Use of money and property	11,614	52,914	139
Intergovernmental	320,840	-	-
Charges for service	193,071	599,492	-
Miscellaneous	127,758	-	33,225
Total receipts	1,859,706	652,406	33,364
Disbursements:			
Public safety	265,429	-	9,767
Public works	248,176	-	-
Culture and recreation	366,247	-	2,543
Community and economic development	183,261	-	-
General government	208,897	-	-
Debt service	127,407	-	-
Capital projects	-	-	-
Business type activities	-	372,862	-
Total disbursements	1,399,417	372,862	12,310
Excess (deficiency) of receipts over (under) disbursements	460,289	279,544	21,054
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	460,289	279,544	21,054
Balances beginning of year	1,053,642	340,851	16,222
Balances end of year	\$ 1,513,931	620,395	37,276

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
490,719	497,996	497,996	(7,277)
422,507	280,978	280,978	141,529
170,533	97,578	101,578	68,955
122,664	81,150	86,650	36,014
64,389	4,500	4,500	59,889
320,840	183,671	207,671	113,169
792,563	682,745	682,745	109,818
94,533	31,913	53,913	40,620
<u>2,478,748</u>	<u>1,860,531</u>	<u>1,916,031</u>	<u>562,717</u>
255,662	287,325	287,325	31,663
248,176	314,672	314,672	66,496
363,704	233,775	378,062	14,358
183,261	187,900	187,900	4,639
208,897	252,700	252,700	43,803
127,407	155,785	155,785	28,378
-	-	-	-
<u>372,862</u>	<u>498,603</u>	<u>498,603</u>	<u>125,741</u>
<u>1,759,969</u>	<u>1,930,760</u>	<u>2,075,047</u>	<u>315,078</u>
718,779	(70,229)	(159,016)	877,795
<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
718,779	(70,229)	(149,016)	867,795
<u>1,378,271</u>	<u>960,170</u>	<u>960,170</u>	<u>418,101</u>
<u>2,097,050</u>	<u>889,941</u>	<u>811,154</u>	<u>1,285,896</u>

City of Van Meter

Notes to Other Information – Budgetary Reporting

June 30, 2019

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 units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the 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 \$144,287. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements in the culture and recreation function exceeded the budget prior to amendment.

City of Van Meter

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Five Years*

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.003833%	0.004129%	0.004322%	0.003513%	0.003513%
City's proportionate share of the net pension liability	\$ 242,486	275,011	272,007	173,559	139,339
City's covered payroll	\$ 394,204	395,855	380,453	306,666	298,437
City's proportionate share of the net pension liability as a percentage of its covered payroll	61.51%	69.47%	71.50%	56.60%	46.69%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutory required contribution	\$ 35,886	36,163	36,592	34,665
Contributions in relation to the statutorily required contribution	<u>(35,886)</u>	<u>(36,163)</u>	<u>(36,592)</u>	<u>(34,665)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 371,547	394,204	395,855	380,453
Contributions as a percentage of covered payroll	9.66%	9.17%	9.24%	9.11%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
28,059	27,249	20,750	19,829	17,566	16,731
(28,059)	(27,249)	(20,750)	(19,829)	(17,566)	(16,731)
-	-	-	-	-	-
306,666	298,437	233,794	235,409	238,949	236,488
9.15%	9.13%	8.88%	8.42%	7.35%	7.07%

City of Van Meter

Notes to Other Information – Pension Liability

Year ended June 30, 2019

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.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 (unfunded actuarial liability) 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 Van Meter

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

As of and for the year ended June 30, 2019

	Special		
	Parks and Recreation Trust	Employee Benefits	Van Meter Firefighters Association
Receipts:			
Property tax	\$ -	95,356	-
Other city tax	-	4,363	-
Use of money and property	-	-	139
Intergovernmental	-	2,366	-
Charges for service	500	-	-
Miscellaneous	10,372	-	22,424
Total receipts	<u>10,872</u>	<u>102,085</u>	<u>22,563</u>
Disbursements:			
Public safety	-	38,262	9,767
Public works	-	-	-
Culture and recreation	10,502	13,315	-
General government	-	14,088	-
Total disbursements	<u>10,502</u>	<u>65,665</u>	<u>9,767</u>
Excess (deficiency) of receipts over (under) disbursements	<u>370</u>	<u>36,420</u>	<u>12,796</u>
Other financing sources (uses):			
Transfers in	<u>8,966</u>	-	-
Change in cash balances	9,336	36,420	12,796
Cash balances beginning of year	<u>40,385</u>	<u>5,138</u>	<u>16,222</u>
Cash balances end of year	<u>\$ 49,721</u>	<u>41,558</u>	<u>29,018</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for other purposes	<u>49,721</u>	<u>41,558</u>	<u>29,018</u>
Total cash basis fund balances	<u>\$ 49,721</u>	<u>41,558</u>	<u>29,018</u>

See accompanying independent auditor's report.

Revenue				Permanent	
VM Community Betterment	Library Trust	Library Foundation	Cemetery Perpetual Care		Total
-	-	-	-	-	95,356
-	-	-	-	-	4,363
-	-	-	-	-	139
-	4,524	-	-	-	6,890
-	-	-	150	-	650
15,596	634	10,801	500	-	60,327
15,596	5,158	10,801	650	-	167,725
-	-	-	-	-	48,029
-	-	-	-	-	-
18,448	66,616	2,543	-	-	111,424
-	-	-	-	-	14,088
18,448	66,616	2,543	-	-	173,541
(2,852)	(61,458)	8,258	650	-	(5,816)
1,500	73,050	-	-	-	83,516
(1,352)	11,592	8,258	650	-	77,700
7,339	20,048	-	27,000	-	116,132
5,987	31,640	8,258	27,650	-	193,832
-	-	-	27,000	-	27,000
5,987	31,640	8,258	650	-	166,832
5,987	31,640	8,258	27,650	-	193,832

City of Van Meter
Schedule of Indebtedness
Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
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			
Water revenue anticipation project note	Mar 27, 2015	0.00%	\$ 185,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
35,000	-	35,000	-	1,470
205,000	-	10,000	195,000	9,400
655,000	-	45,000	610,000	24,937
<u>\$ 895,000</u>	<u>-</u>	<u>90,000</u>	<u>805,000</u>	<u>35,807</u>
 <u>\$ 185,000</u>	 <u>-</u>	 <u>-</u>	 <u>185,000</u>	 <u>-</u>

City of Van Meter

City of Van Meter

Bond Maturities

June 30, 2019

Year Ending June 30,	<u>Water Improvement</u>		<u>Corporate Purpose and Refunding</u>		Total
	<u>Issued Aug 15, 2011</u>		<u>Issued Sep 9, 2013</u>		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
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>\$ 195,000</u>		<u>\$ 610,000</u>	<u>805,000</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 Six Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 490,719	411,727	405,253	385,576
Tax increment financing	422,507	372,778	298,926	290,991
Other city tax	170,533	20,039	20,240	21,982
Licences and permits	122,664	152,731	105,446	79,723
Use of money and property	11,614	5,594	5,447	4,379
Intergovernmental	320,840	262,016	223,093	240,782
Charges for service	193,071	195,319	139,797	128,295
Miscellaneous	127,758	198,475	82,182	70,445
Total receipts	<u>\$ 1,859,706</u>	<u>1,618,679</u>	<u>1,280,384</u>	<u>1,222,173</u>
Disbursements:				
Operating:				
Public safety	\$ 265,429	313,677	278,862	304,451
Public works	248,176	309,323	189,502	250,197
Health and social services	-	-	-	-
Culture and recreation	366,247	219,653	242,514	255,868
Community and economic development	183,261	157,000	149,065	122,717
General government	208,897	361,715	184,676	216,856
Debt service	127,407	176,177	148,777	151,453
Capital projects	-	76,345	33,326	36,825
Total disbursements	<u>\$ 1,399,417</u>	<u>1,613,890</u>	<u>1,226,722</u>	<u>1,338,367</u>

See accompanying independent auditor's report.

<u>2015</u>	<u>2014</u>
385,631	420,233
238,401	197,761
22,196	90,412
70,737	12,779
5,386	5,384
160,719	294,230
108,760	104,735
77,343	153,557
<u>1,069,173</u>	<u>1,279,091</u>
156,945	156,002
191,053	362,578
600	-
96,280	175,079
143,159	190,105
213,083	136,818
153,483	590,200
13,681	407,558
<u>968,284</u>	<u>2,018,340</u>



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STATE OF IOWA

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2020. 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 have not been 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) through (E) 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 deficiency described in the accompanying Schedule of Findings as item (F) to be a significant deficiency.

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, 2019 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.

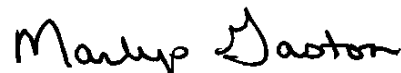
The City of Van Meter's Responses to the Findings

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.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 10, 2020

City of Van Meter
Schedule of Findings
Year ended June 30, 2019

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, recording and daily reconciling.
- 3) Long-term debt – recording, reconciling and maintaining. Also, paid bonds and coupons are not reconciled by an independent person.
- 4) Payroll – entering timesheets and processing and distributing payroll.
- 5) Journal entries – preparing and recording.

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 review internal control policies during the current fiscal year and adopt better internal control practices. The City has implemented redundant reviews to ensure independent reviews are being conducted by supervisors where possible. Internal control policies will continue to be monitored and improved upon where possible with staffing limitations.

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2019

(B) Segregation of Duties (Van Meter Fire Association and Van Meter Public Library Foundation)

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 both organizations' financial statements.

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

- 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.
- 3) Disbursements – preparing and signing checks, approving, recording and posting.

Cause – Both the Van Meter Firefighters Association and the Van Meter Public Library Foundation have 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 both the Van Meter Firefighters Association and the Van Meter Public Library Foundation'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 – Both the Van Meter Fire Association and the Van Meter Public Library Foundation should review their 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 Fire Association has appointed board members as necessary to address the above. Financials are reviewed and initialed by the Public Safety Director. Any such funds distributed to the City now include a request from the Public Safety Director and the minutes from the Association meeting as supporting documentation. The City Administrator will work with the Van Meter Public Library Foundation over the current fiscal year to review its control activities and adopt recommendations from above.

Conclusion – Response accepted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2019

(C) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City’s financial statements.

Condition – During the audit, we identified a material amount of debt service property tax receipts which were recorded incorrectly to the General Fund. In addition, journal entries to correct prior year errors misstated current year receipts and disbursements. Adjustments were subsequently made by the City to properly report these amounts in the City’s financial statements.

Cause – City policies do not require and procedures have not been established to require independent review of transactions to ensure the City’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City’s financial statements were necessary.

Recommendation – The City should implement procedures to ensure amounts are properly recorded in the City’s financial statements.

Response – The City has taken proactive steps to mitigate the chance for error due to cross-fund posting. Certain receipt sources are no longer entered through Receipt Management on our accounting software, as this module allows for cross-fund posting and does not trigger a warning when doing so. Property tax receipts are now exclusively entered as a bank transaction through the general ledger where cross-fund posting is disabled by default and warnings are triggered when cross-fund posting is entered. Part of this misrepresentation of funds can be attributed to changes in receipt forms provided to the City by the County. During FY19, the County changed their payment distribution forms three times. The City Administrator has taken additional steps to ensure all necessary property tax receipt codes exist in the City’s accounting software and has organized the method of entry to ensure all receipts are entered to the proper receipt line. These receipt journals are additionally provided to the Mayor as part of the independent review of monthly financials.

Conclusion – Response accepted.

(D) Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Independent review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the City’s monthly financial reports. However, there is no evidence of review of the bank reconciliation by an independent person.

City of Van Meter

Schedule of Findings

Year ended June 30, 2019

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are independently reviewed for completeness and accuracy.

Effect – The lack of independent review of bank reconciliations and incomplete reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – An independent person should review the reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Response – Monthly bank reconciliation summaries are provided to the City Council as part of their City Council packet. This includes a cover reconciliation page and the supporting documentation to show how the cover page is generated. This financial report has been approved by the City Council via the consent agenda every month for at least the last five years. Further steps are being taken by providing a hard copy of the cover page as well as all bank reconciliation supporting documentation, to include the bank statement and bank entry journals, to the Mayor for physical review and signature. The monthly reports will also be reviewed in greater detail at quarterly Finance Committee meetings.

Conclusion – Response accepted.

(E) 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. Independent review of utility reconciliations can help ensure the accuracy of recorded amounts.

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

Cause – Policies and procedures have not been established to require the reconciliations of utility billings, collections and delinquent accounts be 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 – Documentation from the utility reconciliation will be provided to the Mayor for physical review and signature as part of the monthly reconciliation.

Conclusion – Response accepted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2019

(F) Disbursements

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies for proper supporting documentation.

Condition – A parks and recreation petty cash fund is maintained by the City Clerk and is used by the Parks and Recreation Department to pay umpires and purchase supplies. Although a log is kept of cash withdrawals made from the petty cash fund to the Parks and Recreation Department, there is no documentation (ie vendor receipts) maintained and reviewed to support what petty cash withdrawals were used for.

Cause – Procedures have not been implemented to ensure proper supporting documentation is obtained for all disbursements.

Effect – Lack of supporting documentation for disbursements and petty cash withdrawals could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – Petty cash withdrawals should be adequately supported and reviewed to ensure petty cash disbursements are appropriate.

Response – The City will provide a receipt duplicate journal to Parks and Recreation so that hand receipts can be signed for pay disbursements.

Conclusion – Response acknowledged. The City should also support petty cash disbursements with vendor receipts as appropriate.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements in the culture and recreation function exceeded the budget prior to amendment. 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 City Administrator will continue to work with the Finance Committee and necessary Department Heads to monitor disbursements and schedule amendments ahead of disbursements exceeding adopted budget numbers.

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 – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not, except as follows:

- Five of twenty-two claims tested were not approved in the City Council minutes. These claims were included in the minutes agenda presented to Council, but not included in the published City Council minutes.
- Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for three meetings tested were not published within fifteen days.

Recommendation – The City Council should ensure all claims are approved and recorded in the minutes. The City should also comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

Response – City staff will review disbursement journals submitted to Council for approval and disbursement journals submitted to publication to ensure there are no discrepancies. City staff will ensure minutes are submitted for publication during the week of the regularly scheduled Council Meeting to ensure publication requirements are met.

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2019

- (7) Deposits and Investments – Deposits and investments were in compliance with the provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy, except for the following:

A resolution naming official depositories has been approved by the City. However, the maximum deposits amount stated in the resolution of \$2,000,000 was exceeded by \$120,000 at June 30, 2019.

Recommendation – The City should review the depository resolution amount and ensure the maximum amounts allowed are sufficient.

Response – The City Administrator will ensure depository resolutions are reviewed and approved each fiscal year to ensure maximum deposits are not exceeded.

Conclusion – Response accepted.

- (8) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following exceptions were noted on the Levy Authority Summary for the AURR due December 1, 2018.

- The beginning and ending cash balance of the Special Revenue, Urban Renewal Tax Increment Financing Fund reported on the Levy Authority Summary did not agree with the City’s records. The balances were overstated by \$90,000.
- TIF debt outstanding for the general obligation, Series 2013 Corporate Purpose and Refunding bonds was reported at the entire issuance amounts rather than only the TIF portion of the bonds, overstating TIF debt outstanding by \$185,123.
- The amount reported by the City as TIF debt outstanding did not include Low and Moderate Income (LMI) Housing obligation balances of approximately \$411,000.

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary are accurate.

Response – The City Administrator will work with Bond Counsel, Municipal Advisor and Auditor as necessary to ensure the Levy Authority Summary of the AURR is reported accurately.

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 – The City has established an account with the Great Iowa Treasure Hunt. Internal policies have been updated to ensure necessary personal identifiable information is obtained as part of our utility account creation process so that unclaimed property can be successfully submitted to the Great Iowa Treasure Hunt.

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2019

- (10) Financial Condition – The Special Revenue, Road Use Fund had a deficit balance of \$2,151 at June 30, 2019.

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

Response – The City Administrator will continue to monitor fund balances and work to account for and eliminate negative fund balances.

Conclusion – Response accepted.

- (11) Insurance Levy – The City certifies a General Fund tax levy to pay for liability and property/casualty insurance costs pursuant to Chapter 384.12(17) of the Code of Iowa. The City's calculation for the amount levied has included all insurance costs paid by City, including approximately \$32,000 of insurance costs paid from its Enterprise, Water and Enterprise, Sewer Funds. The City's insurance levy is a General Fund levy and should only include the cost of tort and property/casualty insurance for non-proprietary operations. As a result, the City's insurance levy has generated an excess balance.

Recommendation – When calculating its insurance levy, the City should exclude insurance costs paid from the Enterprise, Water and Enterprise, Sewer Funds. The City should also determine the unspent balance as a result of current year and prior year over-collection of the insurance levy and restrict these funds to be used to pay future insurance costs for non-proprietary operations.

Response – The City Administrator will review insurance fund balance and adjust the fiscal year 2021 budget to account for overcollection in prior fiscal cycles. The City Administrator will review internal insurance billing practices to ensure overcollection does not occur in future fiscal cycles.

Conclusion – Response accepted.

- (12) Tax Increment Financing (TIF) Indebtedness Certification – For the 2018 TIF Certification submitted to the County Auditor on November 27, 2018, the City made adjustments to reduce TIF indebtedness as a result of incorrect certifications made in prior years. However, based on a review of the December 2018 TIF reconciliation provided to the City by the County Auditor, the adjustments made to correct prior year certifications were incomplete, resulting in a remaining net under-certification of \$207,011.

Recommendation – The City should use Form 1 to certify portions of TIF obligations which have not been certified and use Form 3 to decertify amounts which have been over certified.

Response – The City Administrator has reviewed audit comments with the office of State Auditor staff and the City's Municipal Advisor and concurs with the findings. The City Administrator and Municipal Advisor will meet with the County Auditor to discuss course of action to correct under-certification amounts on the December 2020 TIF certification.

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2019

- (13) Supplemental Wages – On December 10, 2018, the City Council passed a Resolution approving the employment agreement between the City of Van Meter and the City Administrator. The resolution allowed for the payment of a relocation fee of \$10,000 to the City Administrator in addition to waiving of building permit fees on residential housing construction.

Supplemental wages, including payments for nondeductible moving expenses and noncash fringe benefits, are subject to income tax withholding. The relocation fee paid to the City Administrator in December 2018 was not processed through payroll and no taxes were withheld by the City. As a result, the City did not include the relocation payment or the waived building permit fee as income on the employee's reported annual income and taxes.

Recommendation – The City should ensure that all taxable wages and fringe benefits paid by the City are properly reported as taxable income.

Response – The City will review accounts payable vendors to ensure 1099's are provided as required. Fringe benefits will be disbursed through payroll as required.

Conclusion – Response accepted.

City of Van Meter

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
Brandon J. Vogel, Senior Auditor II
Michael S. Team, Assistant Auditor