



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE October 5, 2007

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Van Wert, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$91,101 for the year ended June 30, 2006. The receipts included \$13,304 in property tax, \$29,699 from charges for service, \$18,703 from operating grants, contributions and restricted interest, \$18,123 from capital grants, contributions and restricted interest, \$8,829 from local option sales tax and \$2,443 from unrestricted interest on investments.

Disbursements for the year totaled \$68,105, and included \$34,791 for public safety, \$12,909 for public works and \$9,705 for general government. Also, disbursements for business type activities totaled \$8,218.

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

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CITY OF VAN WERT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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City of Van Wert

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Lowell Boyd Schuldt	Mayor	Jan 2006
Aaron Fry	Council Member	(Resigned)
Gene Gunter	Council Member	Jan 2006
Duane Otto	Council Member	Jan 2006
Keith Palmer	Council Member	Jan 2006
Eddie Parmer	Council Member	Jan 2006
(After January 2006)		
Lowell Boyd Schuldt	Mayor	(Resigned)
Keith Palmer (Appointed)	Mayor	Nov 2007
Gene Gunter	Council Member	Jan 2008
Wendell Jones	Council Member	Jan 2008
Donald McClure (Appointed)	Council Member	Nov 2007
Rick Schuldt	Council Member	Jan 2008
Michael Tompkins	Council Member	Jan 2008
Rowland Updike	Clerk/Treasurer	(Resigned)
Monty W. Franklin	Attorney	Indefinite

City of Van Wert



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the City of Van Wert, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Van Wert's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

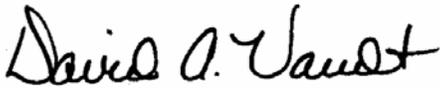
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, 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 and each major fund of the City of Van Wert as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 5, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2007 on our consideration of the City of Van Wert's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Van Wert 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2006 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental funds increased approximately \$5,000 due primarily to receipts for road use tax in the Special Revenue Fund which were not entirely spent.
- The cash basis net assets of the City's business type activities increased approximately \$18,000. The sewer revenue bonds were paid off in prior years and funds are being accumulated for future sewer repairs.

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 Statement of Activities and Net Assets. 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 statement by providing information about the most significant funds.

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

Required Supplementary Information further explains and supports the financial statements in comparison to the City's budget.

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 operational results of 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 Statement of Activities and Net Assets reports information that helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development and general government. Property tax and state and federal grants finance most of these activities.
- Business Type Activities includes the sewer system. This activity is financed primarily by user fees and related 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 and 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax. 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.

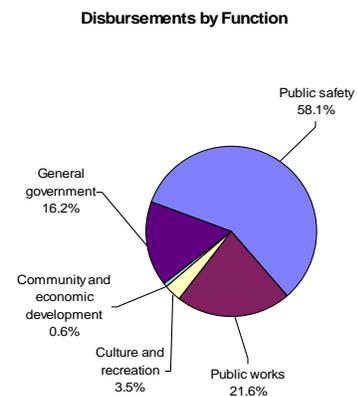
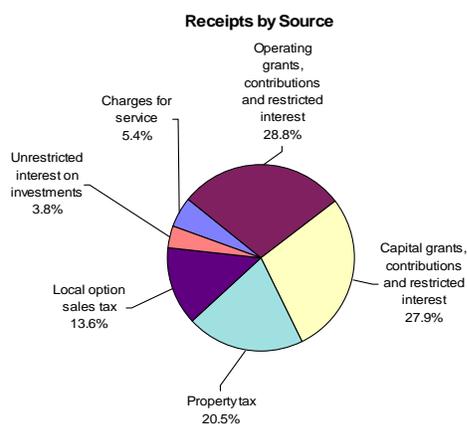
2) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for sewer operations, considered to be a major fund of the City.

The required financial statement for the proprietary fund is a statement of cash receipts, disbursements, and changes in cash balance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$99,130 to \$104,128, primarily due to road use tax receipts not completely spent during the year. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service	\$ 3,483
Operating grants, contributions and restricted interest	18,703
Capital grants, contributions and restricted interest	18,123
General receipts:	
Property tax	13,304
Local option sales tax	8,829
Unrestricted interest on investments	2,443
Total receipts	64,885
Disbursements:	
Public safety	34,791
Public works	12,909
Culture and recreation	2,116
Community and economic development	366
General government	9,705
Total disbursements	59,887
Increase in cash basis net assets	4,998
Cash basis net assets beginning of year	99,130
Cash basis net assets end of year	\$ 104,128



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service:	
Sewer	\$ 26,216
Disbursements:	
Sewer	8,218
Increase in cash basis net assets	17,998
Cash basis net assets beginning of year	39,568
Cash basis net assets end of year	\$ 57,566

The total business type activities cash balance increased from a year ago, increasing from \$39,568 to \$57,566. The sewer revenue bonds were paid off in prior years and funds are being accumulated for future sewer repairs.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Van Wert completed the year, its governmental funds reported a combined fund balance of \$104,128, an increase of approximately \$5,000 above last year's total of \$99,130. 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 decreased \$7,142 from the prior year to a year-end balance of \$17,638. Fire department grant receipts did not entirely cover all fire department equipment purchases.
- The Special Revenue, Road Use Tax Fund cash balance increased \$10,225 to \$62,900 during the fiscal year. This increase was attributable to road use tax allocations being greater than disbursements for the year. The City plans to resurface streets in the future.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$1,915 to \$23,590 during the fiscal year. The increase was not significant.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased \$17,998 to a year-end balance of \$57,566. The sewer revenue bonds were paid off in prior years and the intention of the City is to accumulate funds for future sewer repairs.

BUDGETARY HIGHLIGHTS

The City did not amend its budget over the course of the year.

The City's actual receipts were \$77,069 more than budgeted receipts. This was primarily due to receiving more interest on investments and charges for service than anticipated for the year.

The City's actual disbursements were \$9,539 in total less than budgeted disbursements. This was primarily due to less than anticipated disbursements in the public works function.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Van Wert's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various City activities. The City's fiscal year 2007 assessed taxable valuation increased \$43,380 from the fiscal year 2006 level.

The fiscal year 2007 budget includes total receipts of \$97,464 and disbursements of \$81,304. This budget is higher than the fiscal year 2006 budget which included total receipts of \$14,032 and disbursements of \$77,644. The fiscal year 2006 budget erroneously did not include approximately \$72,000 for intergovernmental and charges for service receipts that are included in the fiscal year 2007 budget.

The fiscal year 2007 levy is \$8.10000 per \$1,000 of taxable valuation; no change from fiscal year 2006. The increase in property values will result in an increase in property tax receipts of \$352 in fiscal year 2007.

These parameters were taken into account when adopting the budget for fiscal year 2007.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk, P.O. Box 139, Van Wert, IA 50262.

City of Van Wert

Basic Financial Statements

City of Van Wert

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 34,791	2,601	-	18,123
Public works	12,909	-	18,703	-
Culture and recreation	2,116	-	-	-
Community and economic development	366	-	-	-
General government	9,705	882	-	-
Total governmental activities	59,887	3,483	18,703	18,123
Business type activities:				
Sewer	8,218	26,216	-	-
Total	\$ 68,105	29,699	18,703	18,123

General Receipts:

Property and other city tax levied for
general purposes
Local option sales tax
Unrestricted interest on investments

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Streets

Local option sales tax

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(14,067)	-	(14,067)
5,794	-	5,794
(2,116)	-	(2,116)
(366)	-	(366)
(8,823)	-	(8,823)
(19,578)	-	(19,578)
-	17,998	17,998
(19,578)	17,998	(1,580)
13,304	-	13,304
8,829	-	8,829
2,443	-	2,443
24,576	-	24,576
4,998	17,998	22,996
99,130	39,568	138,698
\$ 104,128	57,566	161,694
\$ 62,900	-	62,900
23,590	-	23,590
17,638	57,566	75,204
\$ 104,128	57,566	161,694

City of Van Wert

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

As of and for the year ended June 30, 2006

	Special Revenue			Total
	General	Road Use Tax	Local Option Sales Tax	
Receipts:				
Property tax	\$ 12,662	-	-	12,662
Other city tax	642	-	8,829	9,471
Licenses and permits	465	-	-	465
Use of money and property	2,443	-	-	2,443
Intergovernmental	20,724	18,425	-	39,149
Miscellaneous	417	278	-	695
Total receipts	<u>37,353</u>	<u>18,703</u>	<u>8,829</u>	<u>64,885</u>
Disbursements:				
Operating:				
Public safety	31,904	-	2,887	34,791
Public works	2,520	8,478	1,911	12,909
Culture and recreation	-	-	2,116	2,116
Community and economic development	366	-	-	366
General government	9,705	-	-	9,705
Total disbursements	<u>44,495</u>	<u>8,478</u>	<u>6,914</u>	<u>59,887</u>
Excess (deficiency) of receipts over (under) disbursements	(7,142)	10,225	1,915	4,998
Cash balances beginning of year	24,780	52,675	21,675	99,130
Cash balances end of year	<u>\$ 17,638</u>	<u>62,900</u>	<u>23,590</u>	<u>104,128</u>
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 17,638	-	-	17,638
Special revenue funds	-	62,900	23,590	86,490
Total cash basis fund balances	<u>\$ 17,638</u>	<u>62,900</u>	<u>23,590</u>	<u>104,128</u>

See notes to financial statements.

City of Van Wert

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

As of and for the year ended June 30, 2006

	<u>Enterprise</u>
	<u>Sewer</u>
Operating receipts:	
Charges for service	\$ 26,216
Operating disbursements:	
Business type activities	<u>8,218</u>
Excess of operating receipts over operating disbursements	17,998
Cash balances beginning of year	<u>39,568</u>
Cash balances end of year	<u>\$ 57,566</u>
Cash Basis Fund Balances	
Unreserved	<u>\$ 57,566</u>

See notes to financial statements.

City of Van Wert

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Van Wert is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1880 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 sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Van Wert 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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: Decatur County Assessor's Conference Board, Decatur County Emergency Management Commission and Decatur County Joint E911 Service Board.

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 road construction and maintenance.

The Local Option Sales Tax Fund is used to account for receipts of the local option sales tax which provided for a 1% local sales and services tax in the City, effective January 1, 1997, to be used for public safety, home and community and human development purposes.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Van Wert 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 assets 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2006 was \$207, equal to the required contribution for the year.

(4) Local Government Risk Pool

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2006 were \$5,252.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(5) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

Implementation of these standards had no effect on the beginning balances of the City.

(6) Litigation

The City is subject to pending litigation. The probability of loss, if any, is undeterminable.

Required Supplementary Information

City of Van Wert
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 12,662	-
Other city tax	9,471	-
Licenses and permits	465	-
Use of money and property	2,443	-
Intergovernmental	39,149	-
Charges for service	-	26,216
Miscellaneous	695	-
Total receipts	64,885	26,216
Disbursements:		
Public safety	34,791	-
Public works	12,909	-
Culture and recreation	2,116	-
Community and economic development	366	-
General government	9,705	-
Business type activities	-	8,218
Total disbursements	59,887	8,218
Excess (deficiency) of receipts over (under) disbursements	4,998	17,998
Balances beginning of year	99,130	39,568
Balances end of year	\$ 104,128	57,566

See accompanying independent auditor's report.

Total	Budgeted Amounts Original and Final	Final to Total Variance
12,662	13,327	(665)
9,471	705	8,766
465	-	465
2,443	-	2,443
39,149	-	39,149
26,216	-	26,216
695	-	695
91,101	14,032	77,069
34,791	34,281	(510)
12,909	28,848	15,939
2,116	2,500	384
366	1,030	664
9,705	10,985	1,280
8,218	-	(8,218)
68,105	77,644	9,539
22,996	(63,612)	86,608
138,698	142,499	(3,801)
161,694	78,887	82,807

City of Van Wert

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the year.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.



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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 the accompanying financial statements of the governmental activities, the business type activities and each major fund of the City of Van Wert, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated July 19, 2007. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

Except as noted in the Independent Auditor's Report, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Van Wert's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Van Wert's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Van Wert'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 that are described in the accompanying Schedule of Findings.

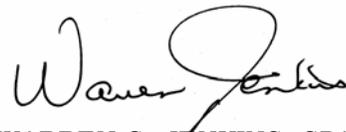
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Van Wert and other parties to whom the City of Van Wert may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Van Wert 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 19, 2007

City of Van Wert
Schedule of Findings
Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – handling cash, reconciling and depositing.
- (3) Investments – investing, recording and custody.
- (4) Receipts – receiving, recording and custody.
- (5) Utility receipts – billing, collecting, depositing and posting.
- (6) Disbursements – purchasing, preparing checks and recording.
- (7) Payroll – preparing and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – We will review our controls to obtain the maximum control possible. We will have all reviews include initials and date of review.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – We will show a reconciliation of billings to collections and delinquents and will have the Council review monthly. We have started to identify names on deposit slips currently.

Conclusion – Response accepted.

City of Van Wert

Schedule of Findings

Year ended June 30, 2006

- (C) Financial Accounting and Reporting – The City Clerk submits monthly financial reports to the Council containing bank account balances, receipts, disbursements and investments. However, the City has not fully implemented the Uniform Chart of Accounts for Iowa City Governments as approved by the City Finance Committee on September 25, 2002. As a result, receipts and disbursements were not classified to the proper function in accordance with the Uniform Chart of Accounts. These were classified and resolved for audit purposes. Also, a comparison of budget to actual information was not provided to the Council.

Recommendation – To provide better financial information and control, the City should follow the Uniform Chart of Accounts for Iowa City Governments. The monthly financial reports should include a budget comparison to compare budgeted amounts to actual amounts for each fund.

The monthly financial report of fund balances should document the preparer's initials and the date of preparation and the reviewer's initials and the date reviewed.

Response – We will implement the Uniform Chart of Accounts, will include a budget comparison on monthly reports and will have the Council review and approve the reports.

Conclusion – Response accepted.

- (D) Payroll and Timesheets – The City has one regular employee who is paid a salary. Timesheets are not prepared and filed with payroll records. The required quarterly federal, social security/Medicare, state and IPERS tax returns were not submitted properly. Also, no withholdings were taken from the employee salary as required.

Recommendation – Although the employee is paid on a salary basis, timesheets should be prepared to verify hours worked. Quarterly tax returns should be submitted to federal and state agencies and the City should withhold all applicable taxes from the employee's salary as required.

Response – The payroll will be recorded and reported properly in the future. We will require timesheets and quarterly tax reports.

Conclusion – Response accepted.

- (E) Receipts – The City did not issue receipts for all collections. Also, not all collections were deposited in a timely manner.

Recommendation – Prenumbered receipts should be issued for all collections, including receipts deposited directly to the bank account. Collections should be deposited in a timely manner.

Response – We will begin issuing prenumbered receipts for collections and will deposit timely.

Conclusion – Response accepted.

City of Van Wert

Schedule of Findings

Year ended June 30, 2006

- (F) Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate, amount of investment and interest received.

Response – We will periodically get this information from the bank and keep it on file.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Van Wert
 Schedule of Findings
 Year ended June 30, 2006

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public safety 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 – We will budget sufficient amounts for all activity in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (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
Lowell Boyd Schuldt, Mayor	Tree removal	\$ 232
Keith Palmer, Council Member	Tree removal, animal trap	118
Gene Gunter, Council Member	Tree removal	232
Connie Updike, spouse of City Clerk	Mowing	500

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – The City does not have surety bond coverage for City officials and employees in accordance with statutory provisions.

Recommendation – The City should provide surety bond coverage for City officials and employees as required by Chapters 64.13 and 64.15 of the Code of Iowa. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

Response – We will put this on the agenda for the next Council meeting.

Conclusion – Response accepted.

City of Van Wert

Schedule of Findings

Year ended June 30, 2006

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council proceedings were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should comply with the Code of Iowa and should publish minutes and annual individual salaries as required.

Response – We will begin publishing the minutes and salaries as required.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted. However, the City's investment policy refers to Chapter 452 of the Code of Iowa, but the provisions previously contained in Chapter 452 have been moved to Chapters 12B and 12C of the Code of Iowa.

Recommendation – The City should amend its investment policy to refer to the proper sections of the Code of Iowa.

Response – We will amend the policy to refer to current sections of the Code of Iowa.

Conclusion – Response accepted.

- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will inform the bank that we need this information.

Conclusion – Response accepted.

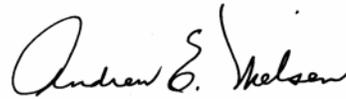
- (9) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved.

City of Van Wert

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
William J. Hanson, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State