

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

November 13, 2012

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Van Meter, Iowa.

The City's receipts totaled \$1,423,958 for the year ended June 30, 2012. The receipts included \$332,575 in property tax, \$170,746 from tax increment financing, \$375,142 from charges for service, \$172,656 from operating grants, contributions and restricted interest, \$102,472 from local option sales tax, \$5,367 from unrestricted interest on investments and \$265,000 from general obligation bond proceeds.

Disbursements for the year totaled \$1,312,614, and included \$201,483 for culture and recreation, \$177,146 for public works and \$124,829 for public safety. Also, disbursements for business type activities totaled \$472,166.

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/1221-0239-B00F.pdf>.

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

JUNE 30, 2012

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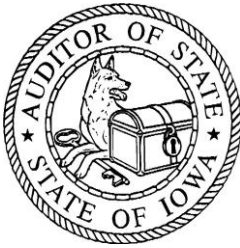
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City of Van Meter

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Fred Scaletta	Mayor	Jan 2012
Allan Adams	Mayor Pro tem	Jan 2012
Monica Reicks	Council Member	Jan 2012
Kimberly Sacker	Council Member	Jan 2012
Richard Booge	Council Member	Jan 2014
Becca Wiederholt	Council Member	Jan 2014
Jake Anderson	City Administrator/City Clerk	Indefinite
Liz Thompson	Deputy Clerk	Indefinite
Erik Fisk	Attorney	Indefinite
(After January 2012)		
Allan Adams	Mayor	Jan 2016
Becca Widerholt	Mayor Pro tem	Jan 2014
Richard Booge	Council Member	Jan 2014
Adam Coyle	Council Member	Jan 2014
Bob Lacy	Council Member	Jan 2016
Kimberly Sacker	Council Member	Jan 2016
Jake Anderson	City Administrator/City Clerk	Indefinite
Liz Thompson	Deputy Clerk	Indefinite
Erik Fisk	Attorney	Indefinite

City of Van Meter



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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, 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, 2012, 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 Meter'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.

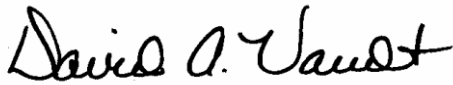
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, 2011.


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, 2011, 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, each major fund and the aggregate remaining fund information of the City of Van Meter as of June 30, 2012, 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2012 on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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, 2011, as discussed in the third paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Van Meter provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audit annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2012 FINANCIAL HIGHLIGHTS

- When compared to the fiscal year 2011 Annual Financial Report (AFR), receipts of the City's governmental activities decreased 0.1%, or approximately \$1,000. Property tax increased approximately \$15,000 and tax increment financing increased approximately \$41,000. In addition, intergovernmental receipts which are included in operating grants, contributions and restricted interest decreased approximately \$65,000 as a result of the City not receiving Community Development Block Grant (CDBG) funds in fiscal year 2012.
- When compared to the fiscal year 2011 AFR, disbursements of the City's governmental activities decreased 9.6%, or approximately \$89,000, in fiscal year 2012 from fiscal year 2011. Public safety, public works and general government disbursements decreased approximately \$78,000, \$48,000 and \$85,000, respectively. Debt service disbursements increased approximately \$103,000.
- The City's total cash basis net assets increased 15%, or approximately \$111,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$108,000 and the assets of the business type activities increased approximately \$3,000.

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 financial statement by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which 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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

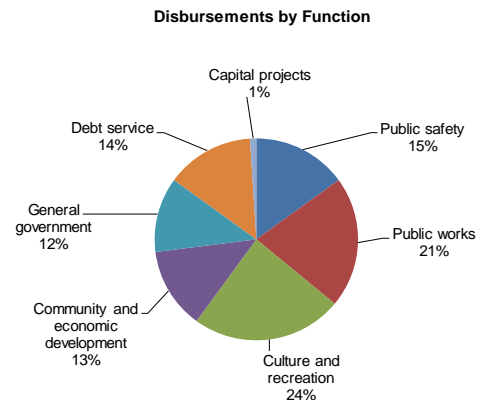
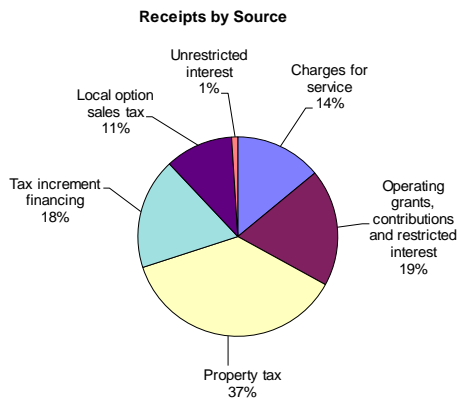
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased significantly from a year ago, increasing from approximately \$575,000 to approximately \$683,000. 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, 2012
Receipts:	
Program receipts:	
Charges for service	\$ 123,556
Operating grants, contributions and restricted interest	172,656
General receipts:	
Property tax	332,575
Tax increment financing	170,746
Local option sales tax	102,472
Unrestricted interest on investments	5,367
Total receipts	<u>907,372</u>
Disbursements:	
Public safety	124,829
Public works	177,146
Culture and recreation	201,483
Community and economic development	113,440
General government	104,472
Debt service	114,261
Capital projects	4,817
Total disbursements	<u>840,448</u>
Change in cash basis net assets before transfers	66,924
Transfers, net	41,000
Change in cash basis net assets	107,924
Cash basis net assets beginning of year	575,078
Cash basis net assets end of year	<u>\$ 683,002</u>



The cash basis net assets for the City's governmental funds increased due to an increased amount apportioned for tax increment financing. The increase in cash basis net assets is also due to public safety, public works and general government disbursements decreasing from fiscal year 2011 to fiscal year 2012.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2012</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 122,289
Sewer	129,297
General receipts:	
General obligation bond proceeds	265,000
Total receipts	<u>516,586</u>
Disbursements:	
Water	340,922
Sewer	131,244
Total disbursements	<u>472,166</u>
Change in cash basis net assets before transfers	44,420
Transfers, net	<u>(41,000)</u>
Change in cash basis net assets	3,420
Cash basis net assets beginning of year	<u>167,784</u>
Cash basis net assets end of year	<u>\$ 171,204</u>

The City's cash balance for business type activities increased from \$167,784 to \$171,204. The increase was a result of the City issuing general obligation bonds for constructing improvements to the waterworks system. The project was not completed during fiscal year 2012.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Van Meter completed the year, its governmental funds reported a combined fund balance of \$683,002, an increase of \$107,924 above last year's total of \$575,078. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$90,362 from the prior year to \$136,312 due to a decrease in disbursements.
- The Special Revenue, Road Use Tax Fund cash balance increased \$16,115 to \$261,531. This increase was due to an increase in road use tax receipts in fiscal year 2012.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$48,787 to \$237,660. These proceeds will be used to pay certified TIF indebtedness. In addition, the bonds and interest for the general obligation urban renewal bonds have not been paid from TIF collections, but will be in future years.
- The Special Revenue, Local Option Sales Tax Fund cash balance remained the same from the previous year. The City receives receipts from the Van Meter Community School District in accordance with a 28E agreement and reimburses the Van Meter Recreational Foundation.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$46,367 to \$81,055, due primarily to the receipt of \$265,000 of general obligation bond proceeds. \$41,320 of the cash balance is restricted for capital projects.
- The Enterprise, Sewer Fund cash balance decreased \$42,947 to \$90,149, partially due to a small decrease in sewer utility rates and a transfer of surplus funds to the General Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on December 12, 2011 and resulted in an increase in operating disbursements of \$300,651, primarily related to water improvement projects.

The City's receipts were \$50,481 more than budgeted. This was primarily due to the City receiving more in property tax, charges for service and miscellaneous receipts than anticipated, even after the amendment.

The City's disbursements were \$156,541 less than the amended budget, primarily due to fewer public works disbursements than anticipated.

Even with the budget amendment, the City exceeded the amounts budgeted in the community and economic development, debt service and capital projects functions for the year ended June 30, 2012 due to increased disbursements for urban renewal tax increment financing and increased disbursements for the general obligation urban renewal water and sewer improvement bonds.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$965,000 of bonds and notes outstanding, compared to \$804,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation bonds	\$ 730,000	500,000
General obligation urban renewal bonds	235,000	270,000
Revenue bonds	-	34,000
Total	\$ 965,000	804,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,044,708 (including \$79,708 of developer agreements) is significantly below its constitutional debt limit of approximately \$2.7 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Van Meter's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment as of August 2012 in the City stands at 4.7%, which compares with the State's unemployment rate of 5.5% and the national unemployment rate of 8.1%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$1,200,000, an increase of 9.1% over the final fiscal year 2012 budget. Property tax (benefiting from the fiscal year 2012 rate increases and increases in assessed valuations) are expected to lead this increase with approximately \$56,000. The City will use these increases in receipts to finance programs we currently offer and to carry out major infrastructure projects, including street improvements and utility system up-grades. Budgeted disbursements are expected to decrease approximately \$340,000 from the final fiscal year 2012 budget. The City has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$78,000 by the close of fiscal year 2013.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Van Meter

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 124,829	11,336	56,135
Public works	177,146	99,373	95,795
Culture and recreation	201,483	2,800	20,726
Community and economic development	113,440	-	-
General government	104,472	9,097	-
Debt service	114,261	950	-
Capital projects	4,817	-	-
Total governmental activities	840,448	123,556	172,656
Business type activities:			
Water	340,922	122,289	-
Sewer	131,244	129,297	-
Total business type activities	472,166	251,586	-
Total	\$ 1,312,614	375,142	172,656

General Receipts and Transfers:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Unrestricted interest on investments

General obligation bond proceeds

Transfers

Total general receipts and transfers

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:

Nonexpendable:

Cemetery perpetual care

Expendable:

Streets

Urban renewal purposes

Capital projects

Other purposes

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
(57,358)	-	(57,358)
18,022	-	18,022
(177,957)	-	(177,957)
(113,440)	-	(113,440)
(95,375)	-	(95,375)
(113,311)	-	(113,311)
(4,817)	-	(4,817)
(544,236)	-	(544,236)
-	(218,633)	(218,633)
-	(1,947)	(1,947)
-	(220,580)	(220,580)
(544,236)	(220,580)	(764,816)
285,399	-	285,399
47,176	-	47,176
170,746	-	170,746
102,472	-	102,472
5,367	-	5,367
-	265,000	265,000
41,000	(41,000)	-
652,160	224,000	876,160
107,924	3,420	111,344
575,078	167,784	742,862
\$ 683,002	171,204	854,206
\$ 11,900	-	11,900
261,531	-	261,531
237,660	-	237,660
-	41,320	41,320
90,977	-	90,977
80,934	129,884	210,818
\$ 683,002	171,204	854,206

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, 2012

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 223,632	-	-
Tax increment financing	-	-	170,746
Other city tax	-	-	-
Licenses and permits	12,896	-	-
Use of money and property	5,367	51	-
Intergovernmental	43,338	95,744	-
Charges for service	99,373	-	-
Miscellaneous	7,537	-	-
Total receipts	392,143	95,795	170,746
Disbursements:			
Operating:			
Public safety	90,516	-	-
Public works	83,992	79,680	-
Culture and recreation	74,000	-	-
Community and economic development	55	-	113,385
General government	97,447	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	346,010	79,680	113,385
Excess (deficiency) of receipts over (under) disbursements	46,133	16,115	57,361
Other financing sources (uses):			
Operating transfers in	44,229	-	-
Operating transfers out	-	-	(8,574)
Total other financing sources (uses)	44,229	-	(8,574)
Net change in cash balances	90,362	16,115	48,787
Cash balances beginning of year	45,950	245,416	188,873
Cash balances end of year	\$ 136,312	261,531	237,660
Cash Basis Fund Balances			
Nonspendable - Cemetary perpetual care	\$ -	-	-
Restricted for:			
Streets	-	261,531	-
Urban renewal purposes	-	-	237,660
Other purposes	-	-	-
Unassigned	136,312	-	-
Total cash basis fund balances	\$ 136,312	261,531	237,660

See notes to financial statements.

Local Option Sales Tax	Nonmajor	Total
-	108,943	332,575
-	-	170,746
102,472	-	102,472
-	-	12,896
-	986	6,404
-	4,412	143,494
-	-	99,373
-	31,875	39,412
102,472	146,216	907,372
-	34,313	124,829
-	13,474	177,146
102,472	25,011	201,483
-	-	113,440
-	7,025	104,472
-	114,261	114,261
-	4,817	4,817
102,472	198,901	840,448
-	(52,685)	66,924
-	8,576	52,805
-	(3,231)	(11,805)
-	5,345	41,000
-	(47,340)	107,924
-	94,839	575,078
-	47,499	683,002
-	11,900	11,900
-	-	261,531
-	-	237,660
-	90,977	90,977
-	(55,378)	80,934
-	47,499	683,002

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, 2012

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 122,289	129,297	251,586
Operating disbursements:			
Business type activities	117,242	92,902	210,144
Excess of operating receipts over operating disbursements	5,047	36,395	41,442
Non-operating receipts (disbursements):			
General obligation bond proceeds	265,000	-	265,000
Capital projects	(223,680)	(3,815)	(227,495)
Debt service	-	(34,527)	(34,527)
Net non-operating receipts (disbursements)	41,320	(38,342)	2,978
Excess (deficiency) of receipts over (under) disbursements	46,367	(1,947)	44,420
Operating transfers out	-	(41,000)	(41,000)
Net change in cash balances	46,367	(42,947)	3,420
Cash balances beginning of year	34,688	133,096	167,784
Cash balances end of year	\$ 81,055	90,149	171,204
Cash Basis Fund Balances			
Restricted for capital projects	\$ 41,320	-	41,320
Unrestricted	39,735	90,149	129,884
Total cash basis fund balances	\$ 81,055	90,149	171,204

See notes to financial statements.

City of Van Meter

Notes to Financial Statements

June 30, 2012

(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 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

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

Blended Component Unit

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

Jointly Governed Organizations

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 categories. 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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Local Option Sales Tax Fund is used to account for local option sales tax received and its uses.

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 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.

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 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, 2012, disbursements exceeded the amounts budgeted in the community and economic development, debt service and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 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.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$259,620 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds Payable

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

Year Ending June 30,	General Obligation Urban Renewal Tax Increment Financing					
	General Obligation Bonds		Tax Increment Financing Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 50,000	31,830	35,000	9,573	85,000	41,403
2014	50,000	29,900	35,000	8,197	85,000	38,097
2015	55,000	27,970	40,000	6,798	95,000	34,768
2016	55,000	25,815	40,000	5,197	95,000	31,012
2017	60,000	23,540	40,000	3,554	100,000	27,094
2018-2022	200,000	84,180	45,000	1,897	245,000	86,077
2023-2027	180,000	45,515	-	-	180,000	45,515
2028-2031	80,000	9,500	-	-	80,000	9,500
Total	\$ 730,000	278,250	235,000	35,216	965,000	313,466

Sewer Revenue Bonds

The City pledged future sewer customer receipts, net of specified operating disbursements, to repay \$457,000 of sewer revenue bonds issued in January 1991. Proceeds from the bonds provided financing for construction. The bonds were payable solely from sewer customer net receipts and were payable through 2012. For the current year, principal and interest paid and total customer net receipts were \$34,510 and \$36,395, respectively. These bonds were paid off in full during the year ended June 30, 2012.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012 was \$19,905, equal to the required contribution for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 4 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$517 for single coverage and \$1,600 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$51,833 and plan members eligible for benefits contributed \$0 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time 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 compensatory time payable to employees at June 30, 2012, primarily relating to the General Fund, is \$2,100 for vacation and \$600 for compensatory time. These liabilities have been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Library Trust	\$ 3,229
	Enterprise:	
	Sewer	41,000
		<u>44,229</u>
Special Revenue:	Special Revenue:	
Parks and Recreation Trust	Park Subdivision Trust	2
Housing Project CDBG/LMI	Urban Renewal Tax Increment	8,574
Total		<u>\$ 52,805</u>

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

(8) Development Agreements

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

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City under this agreement is not to exceed the lesser of the amount of the developer's improvement costs or \$250,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The low and moderate 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, 2012, \$21,945 was rebated to the developer. The outstanding balance on this agreement at June 30, 2012 is \$200,803, which is subject to annual appropriation.

The City agreed to assist in urban renewal projects for the development of improvements to the sanitary sewer, water utility and street systems. The developer proposed to pay the initial costs of constructing the project improvements provided the City agreed to provide tax increment financing assistance to the developer to repay the costs over time. The City agreed to make annual payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City is not to exceed the developer's improvement costs or \$1,300,000. The agreement consists of three phases and the duration of the agreements extends for ten fiscal 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 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, 2012, \$90,650 was rebated to the developer. The outstanding balance on this agreement at June 30, 2012 is \$1,125,772, which is subject to annual appropriation.

(9) Youth Athletic/Recreation Complex Agreements

The City entered into an agreement with the Van Meter Community School District (School) on February 24, 2003 pursuant to Chapter 28E of the Code of Iowa to develop and improve a youth athletic/recreation complex. The School agreed to remit certain local option sales tax receipts to the City to be utilized to develop and improve the complex.

On January 12, 2004, the City entered into an agreement with the Van Meter Recreational Foundation (Foundation) to commit all of the funds it receives from the School pursuant to the 28E agreement to reimburse the Foundation for the costs incurred by the Foundation to build the complex. During the year ended June 30, 2012, the City received and disbursed local option sales tax of \$102,472 pursuant to the agreements.

(10) 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.

(11) Deficit Balances

The Debt Service and Capital Projects Funds had deficit balances of \$50,561 and \$4,817, respectively, at June 30, 2012. The deficit balances were a result of tax increment financing collections not transferred to the Debt Service Fund for the payment of principal and interest for the general obligation urban renewal bonds and project costs incurred prior to the availability of funds. Transfers will be completed to eliminate the deficit balances.

Other Information

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 332,575	-	-
Tax increment financing	170,746	-	-
Other city tax	102,472	-	-
Licenses and permits	12,896	-	-
Use of money and property	6,405	-	27
Intergovernmental	143,493	-	-
Charges for service	99,373	251,586	-
Miscellaneous	39,412	-	12,770
Total receipts	907,372	251,586	12,797
Disbursements:			
Public safety	124,829	-	11,732
Public works	177,146	-	-
Culture and recreation	201,483	-	-
Community and economic development	113,440	-	-
General government	104,472	-	-
Debt service	114,261	-	-
Capital projects	4,817	-	-
Business type activities	-	472,166	-
Total disbursements	840,448	472,166	11,732
Excess (deficiency) of receipts over (under) disbursements	66,924	(220,580)	1,065
Other financing sources, net	41,000	224,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	107,924	3,420	1,065
Balances beginning of year	575,078	167,784	20,097
Balances end of year	\$ 683,002	171,204	21,162

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
332,575	313,022	313,022	19,553
170,746	170,511	170,511	235
102,472	145,742	145,742	(43,270)
12,896	8,800	8,800	4,096
6,378	1,000	1,000	5,378
143,493	124,858	124,858	18,635
350,959	331,747	331,747	19,212
26,642	-	-	26,642
<u>1,146,161</u>	<u>1,095,680</u>	<u>1,095,680</u>	<u>50,481</u>
113,097	126,695	131,695	18,598
177,146	288,575	288,575	111,429
201,483	207,111	237,111	35,628
113,440	79,708	79,708	(33,732)
104,472	107,421	107,421	2,949
114,261	104,089	109,089	(5,172)
4,817	-	-	(4,817)
472,166	243,173	503,824	31,658
<u>1,300,882</u>	<u>1,156,772</u>	<u>1,457,423</u>	<u>156,541</u>
(154,721)	(61,092)	(361,743)	207,022
<u>265,000</u>	<u>-</u>	<u>259,651</u>	<u>5,349</u>
110,279	(61,092)	(102,092)	212,371
722,765	668,143	668,143	54,622
<u>833,044</u>	<u>607,051</u>	<u>566,051</u>	<u>266,993</u>

City of Van Meter

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$300,651. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the community and economic development, debt service and capital projects functions.

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, 2012

	Special Revenue			
	Parks and Recreation Trust	Employee Benefits	Van Meter Firefighters Association	Housing Project CDBG/LMI
Receipts:				
Property tax	\$ -	61,767	-	-
Use of money and property	5	-	27	-
Intergovernmental	1,000	-	-	-
Miscellaneous	8,339	-	12,770	-
Total receipts	9,344	61,767	12,797	-
Disbursements:				
Operating:				
Public safety	-	22,581	11,732	-
Public works	-	13,474	-	-
Culture and recreation	6,984	11,557	-	-
General government	-	7,025	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	6,984	54,637	11,732	-
Excess (deficiency) of receipts over (under) disbursements	2,360	7,130	1,065	-
Other financing sources (uses):				
Operating transfers in	2	-	-	8,574
Operating transfers out	-	-	-	-
Total other financing sources (uses)	2	-	-	8,574
Net change in cash balances	2,362	7,130	1,065	8,574
Cash balances beginning of year	20,613	19,722	20,097	(8,574)
Cash balances end of year	\$ 22,975	26,852	21,162	-
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for other purposes	22,975	26,852	21,162	-
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 22,975	26,852	21,162	-

See accompanying independent auditor's report.

						Permanent	
VM Community Betterment	Library Trust	Park Subdivision Trust	Debt Service	Capital Projects	Cemetery Perpetual Care		Total
-	-	-	47,176	-	-		108,943
-	4	-	950	-	-		986
-	3,412	-	-	-	-		4,412
6,241	1,725	-	-	-	2,800		31,875
6,241	5,141	-	48,126	-	2,800		146,216
<hr/>							
-	-	-	-	-	-		34,313
-	-	-	-	-	-		13,474
6,470	-	-	-	-	-		25,011
-	-	-	-	-	-		7,025
-	-	-	114,261	-	-		114,261
-	-	-	-	4,817	-		4,817
6,470	-	-	114,261	4,817	-		198,901
<hr/>							
(229)	5,141	-	(66,135)	(4,817)	2,800		(52,685)
<hr/>							
-	-	-	-	-	-		8,576
-	(3,229)	(2)	-	-	-		(3,231)
-	(3,229)	(2)	-	-	-		5,345
(229)	1,912	(2)	(66,135)	(4,817)	2,800		(47,340)
1,435	16,870	2	15,574	-	9,100		94,839
1,206	18,782	-	(50,561)	(4,817)	11,900		47,499
<hr/>							
-	-	-	-	-	11,900		11,900
1,206	18,782	-	-	-	-		90,977
-	-	-	(50,561)	(4,817)	-		(55,378)
1,206	18,782	-	(50,561)	(4,817)	11,900		47,499

City of Van Meter
 Schedule of Indebtedness
 Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Bridge improvement	Jun 11, 2007	4.50 - 4.90 %	\$ 280,000
Street improvement	Aug 27, 2008	3.20 - 4.20	300,000
Water improvement	Aug 15, 2011	4.00 - 4.75	265,000
Total			
General obligation urban renewal tax increment financing bonds:			
Water improvement	May 1, 2005	3.00 - 4.20 %	\$ 265,000
Sewer improvement	Dec 1, 2005	4.00 - 4.25	110,000
Total			
Revenue bonds:			
Sewer	Jan 17, 1991	3.00 %	\$ 457,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
250,000	-	10,000	240,000	11,700
250,000	-	25,000	225,000	9,580
-	265,000	-	265,000	9,833
\$ 500,000	265,000	35,000	730,000	31,113
180,000	-	25,000	155,000	7,223
90,000	-	10,000	80,000	3,675
\$ 270,000	-	35,000	235,000	10,898
\$ 34,000	-	34,000	-	510

Schedule 3

City of Van Meter

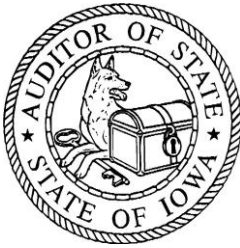
Bond Maturities

June 30, 2012

General Obligation Bonds							
Year Ending June 30,	Bridge Improvement Issued June 11, 2007		Street Improvement Issued Aug 27, 2008		Water Improvement Issued Aug 15, 2011		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2013	4.50%	\$ 10,000	3.60%	\$ 30,000	4.00%	\$ 10,000	50,000
2014	4.50	10,000	3.60	30,000	4.00	10,000	50,000
2015	4.50	15,000	3.60	30,000	4.00	10,000	55,000
2016	4.50	15,000	4.00	30,000	4.00	10,000	55,000
2017	4.50	15,000	4.00	35,000	4.00	10,000	60,000
2018	4.50	15,000	4.20	35,000	4.00	10,000	60,000
2019	4.60	15,000	4.20	35,000	4.00	10,000	60,000
2020	4.60	15,000	-	-	4.00	10,000	25,000
2021	4.70	15,000	-	-	4.00	10,000	25,000
2022	4.70	15,000	-	-	4.00	15,000	30,000
2023	4.80	20,000	-	-	4.75	15,000	35,000
2024	4.80	20,000	-	-	4.75	15,000	35,000
2025	4.90	20,000	-	-	4.75	15,000	35,000
2026	4.90	20,000	-	-	4.75	15,000	35,000
2027	4.90	20,000	-	-	4.75	20,000	40,000
2028	-	-	-	-	4.75	20,000	20,000
2029	-	-	-	-	4.75	20,000	20,000
2030	-	-	-	-	4.75	20,000	20,000
2031	-	-	-	-	4.75	20,000	20,000
Total		<u>\$240,000</u>		<u>\$225,000</u>		<u>\$ 265,000</u>	<u>730,000</u>

General Obligation Urban Renewal Tax Increment Financing Bonds					
Year Ending June 30,	Water Improvement Issued May 1, 2005		Sewer Improvement Issued Dec 1, 2005		Total
	Interest Rates	Amount	Interest Rates	Amount	
2013	3.90%	\$ 25,000	4.000%	\$ 10,000	35,000
2014	4.00	25,000	4.000	10,000	35,000
2015	4.00	25,000	4.000	15,000	40,000
2016	4.10	25,000	4.125	15,000	40,000
2017	4.15	25,000	4.125	15,000	40,000
2018	4.20	30,000	4.250	15,000	45,000
Total		<u>\$ 155,000</u>		<u>\$ 80,000</u>	<u>235,000</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

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, 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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 23, 2012. 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, 2011. Except as noted in the Independent Auditors 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

The management of the City of Van Meter is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Van Meter's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Van Meter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Van Meter's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be 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 described in the accompanying Schedule of Findings as items A and B to be material weaknesses.

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

Compliance and Other Matters

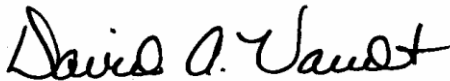
As part of obtaining reasonable assurance about whether the City of Van Meter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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 identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Van Meter's responses and, accordingly, we express no opinion on them.

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 Meter and other parties to whom the City of Van Meter may report and 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 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 23, 2012

City of Van Meter

City of Van Meter
Schedule of Findings
Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. A limited amount of individuals are responsible for the following areas:

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – Efforts will be taken to further involve elected officials in the review of potentially incompatible duties. More specifically, periodic and random receipts will be logged by the mail opener and reconciled to the accounting records and bank statements by a third party.

Conclusion – Response accepted.

(B) Van Meter Firefighters Association – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Association:

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Association should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The recommendation will be passed along to the Association's leadership, along with a model accounting and procedures manual.

Conclusion – Response accepted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2012

- (C) Utility Billings, Collections and Delinquent Accounts Policy – The City does not have a written policy on utility billings, collections and writing off delinquent accounts.

Recommendation – The City should adopt a written policy on utility billings, collections and writing off delinquent accounts.

Response – Policy alternatives will be researched and a recommendation will be brought to the City Council for approval.

Conclusion – Response accepted.

- (D) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have policies and procedures for:

- Password privacy and confidentiality.
- Requiring password changes every 60 to 90 days.
- Allowing only authorized personnel to request resetting their own passwords.
- Not allowing another employee to request a reset of a password for another employee and then having access to this password.

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

Response – Policy alternatives will be researched and the recommended procedures will be implemented.

Conclusion – Response accepted.

- (E) Transfers – The City transfers money to and from various funds periodically. However, these transfers were not always approved by the City Council prior to the actual transfer.

Recommendation – The City Council should approve all fund transfers prior to the actual transfer and document approval and amount(s) as part of the minutes record.

Response – All transfers will be approved moving forward.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Van Meter
 Schedule of Findings
 Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the community and economic development, debt service and capital projects functions. In addition, disbursements exceeded the amounts budgeted in the business type activities function prior to the budget 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 sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Budget amendments will be adopted prior to functions being exceeded.

Conclusion – Response accepted.

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

Name, Title, and Business Connection	Transaction Description	Amount
Robert Lacy, Council Member, Owner of Bob’s Auto Parts	Parts and supplies	\$ 231
Dave Herman, Public Works Director, Brother owns Herman Welding	Repair and welding	240

In accordance with Chapter 362.5(3)(K) of the Code of Iowa, the transactions above 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 – 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.

One of four City Council meeting minutes selected for testing was not properly published in accordance with Chapter 372.13 of the Code of Iowa.

Recommendation – The City should comply with Chapter 372.13 of the Code of Iowa and should publish minutes as required.

Response – We will ensure meeting minutes are being published.

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2012

- (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.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.
- (9) Financial Condition – The Debt Service and Capital Projects Funds had deficit balances of \$50,561 and \$4,817, respectively, at June 30, 2012.

Recommendation – The City should investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

Response – Transfers will be completed to eliminate the deficits.

Conclusion – Response accepted.

- (10) General Obligation Urban Renewal Tax Increment Financing Bonds – The City issued urban renewal water and sewer improvement bonds in May 2005 and December 2005, respectively. According to the resolutions, the principal and interest payments for the bonds should be paid with tax levies and not from user fees. Therefore, the payments should be made from the Debt Service Fund with transfers from the Special Revenue, Urban Renewal Tax Increment Fund. During the year ended June 30, 2012, the City initially transferred funds from the Enterprise, Sewer and Water Funds. These transfers were reversed and corrected for reporting purposes. However, the City has not made the transfers from the Special Revenue, Urban Renewal Tax Increment Fund.

Recommendation – In the future, the City should ensure the Special Revenue, Urban Renewal Tax Increment Fund makes the proper transfers to the Debt Service Fund. In addition, corrective transfers for prior payments should be made.

Response – The City will make the corrective transfers and ensure this is done in the future.

Conclusion – Response accepted.

City of Van Meter

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Tiffany M. Ainger, Senior Auditor
David C. McQuarry, CPA, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State