



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 9, 2015 (5:00pm)

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

The City's receipts totaled \$2,650,735 for the year ended June 30, 2014. The receipts included \$420,233 in property tax, \$197,761 from tax increment financing, \$437,724 from charges for service, \$290,867 from operating grants, contributions and restricted interest, \$118,856 from capital grants, contributions and restricted interest, \$90,412 from local option sales tax, \$5,348 from unrestricted interest on investments, \$995,000 from bond proceeds and \$94,534 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$2,483,212, and included \$590,200 for debt service, \$407,558 for capital projects and \$362,578 for public works. Also, disbursements for business type activities totaled \$464,872.

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/1421-0239-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, 2014

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City of Van Meter

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Allan Adams	Mayor	Jan 2016
Becca Wiederholt	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
(After January 2014)		
Allan Adams	Mayor	Jan 2016
Kimberly Sacker	Mayor Pro tem	Jan 2016
Bob Lacy	Council Member	Jan 2016
Mike Peterson	Council Member	Jan 2018
Owen Stump	Council Member	Jan 2018
Elizabeth Tweed	Council Member	Jan 2018
Jake Anderson	City Administrator/City Clerk	Indefinite
Liz Thompson	Deputy Clerk	Indefinite
Erik Fisk	Attorney	Indefinite

City of Van Meter



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

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, 2013.

Qualified Opinions

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, 2013, 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, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Van Meter's basic financial statements. 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.


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

The other information the budgetary comparison information on pages 30 through 32, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2015 on our consideration of the City of Van Meter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Van Meter's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 12, 2015

City of Van Meter

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Van Meter provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. 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 audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2014 FINANCIAL HIGHLIGHTS

- When compared to the fiscal year 2013 Annual Financial Report (AFR), receipts of the City's governmental activities increased 30%, or approximately \$298,000. Property tax increased approximately \$30,000 and tax increment financing increased approximately \$3,000. In addition, intergovernmental receipts included in capital grants, contributions and restricted interest increased approximately \$149,000, primarily due to a right-of-way grant received.
- When compared to the fiscal year 2013 AFR, disbursements of the City's governmental activities increased 118%, or approximately \$1,092,000, in fiscal year 2014 from fiscal year 2013. Debt service, capital projects and public works disbursements increased approximately \$461,000, \$394,000 and \$152,000, respectively. The large increase in disbursements is primarily due to the City refunding three general obligation debt issuances, as well as undertaking a large sewer project during the fiscal year.
- The City's total cash basis net position increased 18%, or approximately \$167,500, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of governmental activities increased approximately \$232,400 and the cash basis net position of the business type activities decreased approximately \$64,900.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

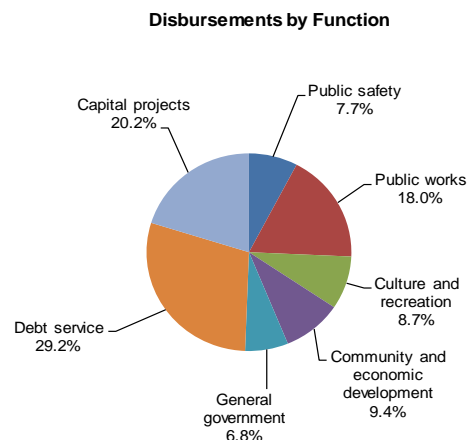
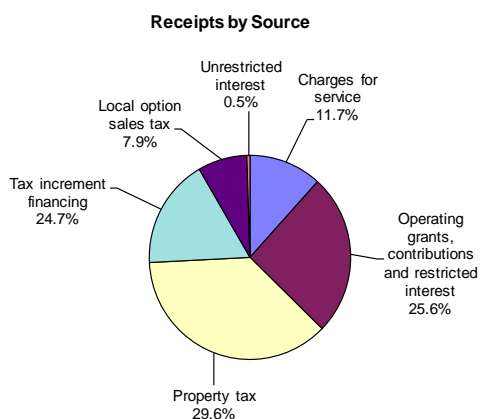
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased significantly from a year ago, increasing from approximately \$740,000 to approximately \$972,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30, 2014
Receipts:	
Program receipts:	
Charges for service	\$ 133,086
Operating grants, contributions and restricted interest	290,867
Capital grants, contributions and restricted interest	118,856
General receipts:	
Property tax	420,233
Tax increment financing	197,761
Local option sales tax	90,412
Unrestricted interest on investments	5,348
Miscellaneous	22,528
Bond proceeds	995,000
Total receipts	2,274,091
Disbursements:	
Public safety	156,002
Public works	362,578
Culture and recreation	175,079
Community and economic development	190,105
General government	136,818
Debt service	590,200
Capital projects	407,558
Total disbursements	2,018,340
Change in cash basis net position before transfers	255,751
Transfers, net	(23,393)
Change in cash basis net position	232,358
Cash basis net position beginning of year	739,899
Cash basis net position end of year	\$ 972,257



The cash basis net position for the City's governmental funds increased due to an increased amount of intergovernmental receipts. The increase in cash basis net position is also due to \$995,000 of general obligation debt issued during the fiscal year.

<u>Changes in Cash Basis Net Position of Business Type Activities</u>	
	<u>Year ended June 30, 2014</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 179,834
Sewer	124,804
General receipts:	
Miscellaneous	72,006
Total receipts	<u>376,644</u>
Disbursements:	
Water	152,110
Sewer	312,762
Total disbursements	<u>464,872</u>
Change in cash basis net position before transfers	(88,228)
Transfers, net	<u>23,393</u>
Change in cash basis net position	(64,835)
Cash basis net position beginning of year	<u>193,408</u>
Cash basis net position end of year	<u>\$ 128,573</u>

The City's cash balance for business type activities decreased from \$193,408 to \$128,573. The decrease was a result of disbursements for improvements to the sewer system.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Van Meter completed the year, its governmental funds reported a combined fund balance of \$972,257, an increase of \$232,358 above last year's total of \$739,899. 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 \$45,374 from the prior year to \$161,697, primarily due to a \$53,471 transfer from the Capital Projects Fund to reimburse the General Fund for projects costs paid prior to the bonds being issued.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$187,216 to \$62,717. This decrease was due to an increase in street maintenance work in fiscal year 2014.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$29,141 to \$241,191. These proceeds will be used to pay certified TIF indebtedness.
- The Debt Service Fund cash balance increased \$28,336 to \$(1,032). The fund is in deficit at year end. The increase is primarily due to refunding debt proceeds received during the fiscal year.
- The Capital Projects Fund cash balance increased \$216,369 to \$197,824. The increase is primarily due to grant proceeds received during the year for capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$29,655 to \$120,293, due primarily to an increase in water rates. \$41,242 of the cash balance is restricted for capital projects.
- The Enterprise, Sewer Fund cash balance decreased \$94,490 to \$8,280, due primarily to an increase in spending for sewer related capital projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2014 and resulted in an increase in operating disbursements of \$1,375,105, primarily related to sewer improvement projects and refunding debt.

The City's receipts were \$456,332 more than budgeted. This was primarily due to the City receiving more intergovernmental and miscellaneous receipts than anticipated.

The City's disbursements were \$157,093 less than the amended budget.

Even with the budget amendment, the City exceeded the amounts budgeted in the public works, general government, debt service, capital projects and business type activities functions for the year ended June 30, 2014 due to increased disbursements for debt refunding and increased disbursements for capital projects.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$1,345,000 of bonds outstanding, compared to \$880,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2014	2013
General obligation bonds	\$ 1,345,000	680,000
General obligation urban renewal bonds	-	200,000
Total	\$ 1,345,000	880,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$1,424,708 (including \$79,708 of annually appropriated developer agreements) is significantly below its constitutional debt limit of approximately \$3 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Van Meter's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment as of September 2014 for Dallas County stands at 3.4%, which compares with the State's unemployment rate of 4.6% and the national unemployment rate of 5.9%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$1,800,000, a decrease of 52% from the final fiscal year 2014 budget. The decrease is due to \$995,000 of bonds issued by the City in fiscal year 2014. There are no debt issuances budgeted in fiscal year 2015. In addition, the City is no longer receiving local option sales tax. Budgeted disbursements are expected to decrease approximately \$1,520,000 from the final fiscal year 2014 budget. The City has added no major new programs or initiatives to the fiscal year 2015 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$72,000 by the close of fiscal year 2015.

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

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 156,002	12,244	59,294	-
Public works	362,578	104,585	101,474	-
Culture and recreation	175,079	3,150	114,511	-
Community and economic development	190,105	-	-	-
General government	136,818	13,107	15,588	-
Debt service	590,200	-	-	-
Capital projects	407,558	-	-	118,856
Total governmental activities	2,018,340	133,086	290,867	118,856
Business type activities:				
Water	152,110	179,834	-	-
Sewer	312,762	124,804	-	-
Total business type activities	464,872	304,638	-	-
Total	\$ 2,483,212	437,724	290,867	118,856

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

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Nonexpendable:

Cemetery perpetual care

Expendable:

Streets

Urban renewal purposes

Capital projects

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(84,464)	-	(84,464)
(156,519)	-	(156,519)
(57,418)	-	(57,418)
(190,105)	-	(190,105)
(108,123)	-	(108,123)
(590,200)	-	(590,200)
(288,702)	-	(288,702)
(1,475,531)	-	(1,475,531)

-	27,724	27,724
-	(187,958)	(187,958)
-	(160,234)	(160,234)
(1,475,531)	(160,234)	(1,635,765)

336,468	-	336,468
83,765	-	83,765
197,761	-	197,761
90,412	-	90,412
5,348	-	5,348
995,000	-	995,000
22,528	72,006	94,534
(23,393)	23,393	-
1,707,889	95,399	1,803,288
232,358	(64,835)	167,523
739,899	193,408	933,307
\$ 972,257	128,573	1,100,830

\$ 15,050	-	15,050
62,717	-	62,717
241,191	-	241,191
197,824	41,242	239,066
294,810	-	294,810
160,665	87,331	247,996
\$ 972,257	128,573	1,100,830

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, 2014

	Special Revenue			Debt Service
	General	Road Use Tax	Urban Renewal Tax Increment	
Receipts:				
Property tax	\$ 242,683	-	-	83,765
Tax increment financing	-	-	197,761	-
Other city tax	-	-	-	-
Licenses and permits	5,726	-	-	-
Use of money and property	5,348	22	-	-
Intergovernmental	52,319	101,451	15,588	-
Charges for service	104,585	-	-	-
Miscellaneous	12,572	-	-	-
Total receipts	<u>423,233</u>	<u>101,473</u>	<u>213,349</u>	<u>83,765</u>
Disbursements:				
Operating:				
Public safety	127,911	-	-	-
Public works	83,006	267,386	-	-
Culture and recreation	4,967	-	-	-
Community and economic development	24,625	-	165,480	-
General government	127,596	-	-	-
Debt service	-	-	-	590,200
Capital projects	-	-	-	-
Total disbursements	<u>368,105</u>	<u>267,386</u>	<u>165,480</u>	<u>590,200</u>
Excess (deficiency) of receipts over (under) disbursements	<u>55,128</u>	<u>(165,913)</u>	<u>47,869</u>	<u>(506,435)</u>
Other financing sources (uses):				
Bond proceeds	-	-	-	457,761
Transfers in	70,788	-	-	77,010
Transfers out	(80,542)	(21,303)	(77,010)	-
Total other financing sources (uses)	<u>(9,754)</u>	<u>(21,303)</u>	<u>(77,010)</u>	<u>534,771</u>
Change in cash balances	45,374	(187,216)	(29,141)	28,336
Cash balances beginning of year	116,323	249,933	270,332	(29,368)
Cash balances end of year	<u>\$ 161,697</u>	<u>62,717</u>	<u>241,191</u>	<u>(1,032)</u>
Cash Basis Fund Balances				
Nonspendable - Cemetary perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	62,717	-	-
Urban renewal purposes	-	-	241,191	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	161,697	-	-	(1,032)
Total cash basis fund balances	<u>\$ 161,697</u>	<u>62,717</u>	<u>241,191</u>	<u>(1,032)</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	93,785	420,233
-	-	197,761
-	90,412	90,412
-	7,053	12,779
-	14	5,384
118,856	6,016	294,230
-	150	104,735
-	140,985	153,557
<u>118,856</u>	<u>338,415</u>	<u>1,279,091</u>
-	28,091	156,002
-	12,186	362,578
-	170,112	175,079
-	-	190,105
-	9,222	136,818
-	-	590,200
407,558	-	407,558
<u>407,558</u>	<u>219,611</u>	<u>2,018,340</u>
(288,702)	118,804	(739,249)
537,239	-	995,000
21,303	57,149	226,250
(53,471)	(17,317)	(249,643)
<u>505,071</u>	<u>39,832</u>	<u>971,607</u>
216,369	158,636	232,358
(18,545)	151,224	739,899
<u>197,824</u>	<u>309,860</u>	<u>972,257</u>
-	15,050	15,050
-	-	62,717
-	-	241,191
197,824	-	197,824
-	294,810	294,810
-	-	160,665
<u>197,824</u>	<u>309,860</u>	<u>972,257</u>

City of Van Meter

City of Van Meter

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

As of and for the year ended June 30, 2014

	Enterprise		Total
	Water	Sewer	
Operating receipts:			
Charges for service	\$ 179,834	124,804	304,638
Miscellaneous	1,246	-	1,246
Total operating receipts	181,080	124,804	305,884
Operating disbursements:			
Business type activities	152,110	148,600	300,710
Excess (deficiency) of operating receipts over operating disbursements	28,970	(23,796)	5,174
Non-operating receipts (disbursements):			
Intergovernmental	-	25,000	25,000
Miscellaneous	685	45,075	45,760
Capital projects	-	(164,162)	(164,162)
Net non-operating receipts (disbursements)	685	(94,087)	(93,402)
Excess (deficiency) of receipts over (under) disbursements	29,655	(117,883)	(88,228)
Transfers in	-	23,393	23,393
Change in cash balances	29,655	(94,490)	(64,835)
Cash balances beginning of year	90,638	102,770	193,408
Cash balances end of year	\$ 120,293	8,280	128,573
Cash Basis Fund Balances			
Restricted for capital projects	\$ 41,242	-	41,242
Unrestricted	79,051	8,280	87,331
Total cash basis fund balances	\$ 120,293	8,280	128,573

See notes to financial statements.

City of Van Meter

Notes to Financial Statements

June 30, 2014

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

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

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works, general government, debt service, capital projects and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 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 \$259,673 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 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 105,000	46,882	151,882
2016	105,000	44,751	149,751
2017	105,000	42,178	147,178
2018	135,000	39,578	174,578
2019	90,000	35,807	125,807
2020-2024	300,000	146,575	446,575
2025-2029	300,000	86,300	386,300
2030-2033	205,000	22,700	227,700
Total	\$1,345,000	464,771	1,809,771

On September 9, 2013, the City issued \$995,000 of general obligation corporate purpose and refunding bonds. The bonds were issued as a current refunding to retire the outstanding balances of \$230,000 of the \$280,000 of general obligation bridge improvement bonds, issued June 11, 2007, \$130,000 of the \$265,000 of general obligation urban renewal water improvement bonds, issued May 1, 2005, and \$70,000 of the \$110,000 of general obligation urban renewal sewer improvement bonds, issued December 1, 2005. The bonds were also issued to pay for planning, designing and constructing improvements to both the municipal wastewater treatment system and the municipal waterworks system.

The City obtained an economic gain, difference between the present value of the debt service payments on the old and new debt, of approximately \$38,200.

(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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014 was \$27,193, 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 7 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$421 for single coverage and \$1,305 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2014, the City contributed \$51,705 and plan members eligible for benefits did not contribute to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and 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, 2014, primarily relating to the General Fund, is \$15,200 for vacation and \$900 for compensatory time. These liabilities have been computed based on rates of pay in effect at June 30, 2014.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 17,317
	Capital Projects	53,471
		<u>70,788</u>
Special Revenue:		
Library Trust	General	56,149
VM Community Betterment	General	1,000
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	77,010
Capital Projects	Special Revenue:	
	Road Use Tax	21,303
Enterprise:		
Sewer	General	<u>23,393</u>
Total		<u>\$ 249,643</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, 2014, \$13,678 was rebated to the developer. The outstanding balance on this agreement at June 30, 2014 is \$171,626, 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, 2014, \$82,077 was rebated to the developer. The outstanding balance on this agreement at June 30, 2014 is \$964,648, 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, 2014, the City received \$90,412 of local option sales tax and disbursed \$36,618 pursuant to the agreements. The remaining \$53,794 will be used to pay for improvements at the complex.

The Youth Athletic/Recreation Complex dissolved on March 27, 2014 and transferred the complex to the City of Van Meter. The local option sales tax agreement with the School District ended at that time as well.

(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 Balance

The Debt Service Fund had a deficit balance of \$1,032 at June 30, 2014. The deficit balance was 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. 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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	420,233	-	-
Tax increment financing	197,761	-	-
Other city tax	90,412	-	-
Licenses and permits	12,779	-	-
Use of money and property	5,384	-	10
Intergovernmental	294,262	-	-
Charges for service	104,735	304,638	-
Miscellaneous	153,525	72,006	6,078
Total receipts	<u>1,279,091</u>	<u>376,644</u>	<u>6,088</u>
Disbursements:			
Public safety	156,002	-	12,591
Public works	362,578	-	-
Culture and recreation	175,079	-	-
Community and economic development	190,105	-	-
General government	136,818	-	-
Debt service	590,200	-	-
Capital projects	407,558	-	-
Business type activities	-	464,872	-
Total disbursements	<u>2,018,340</u>	<u>464,872</u>	<u>12,591</u>
Excess (deficiency) of receipts over (under) disbursements	(739,249)	(88,228)	(6,503)
Other financing sources, net	971,607	23,393	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	232,358	(64,835)	(6,503)
Balances beginning of year	739,899	193,408	22,699
Balances end of year	<u>\$ 972,257</u>	<u>128,573</u>	<u>16,196</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
420,233	392,151	392,151	28,082
197,761	170,511	170,511	27,250
90,412	168,105	168,105	(77,693)
12,779	8,800	8,800	3,979
5,374	1,000	1,000	4,374
294,262	125,538	125,538	168,724
409,373	313,997	313,997	95,376
219,453	13,213	13,213	206,240
<u>1,649,647</u>	<u>1,193,315</u>	<u>1,193,315</u>	<u>456,332</u>
143,411	184,579	184,579	41,168
362,578	283,625	354,531	(8,047)
175,079	216,035	388,035	212,956
190,105	84,240	429,240	239,135
136,818	127,499	131,324	(5,494)
590,200	110,285	568,046	(22,154)
407,558	-	131,000	(276,558)
464,872	246,346	440,959	(23,913)
<u>2,470,621</u>	<u>1,252,609</u>	<u>2,627,714</u>	<u>157,093</u>
(820,974)	(59,294)	(1,434,399)	613,425
<u>995,000</u>	<u>-</u>	<u>925,707</u>	<u>69,293</u>
174,026	(59,294)	(508,692)	682,718
<u>910,608</u>	<u>879,686</u>	<u>1,759,372</u>	<u>(848,764)</u>
<u>1,084,634</u>	<u>820,392</u>	<u>1,250,680</u>	<u>(166,046)</u>

City of Van Meter

Notes to Other Information – Budgetary Reporting

June 30, 2014

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 \$1,375,105. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works, general government, debt service, capital projects and business type activities 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, 2014

	Special Revenue			
	Parks and Recreation Trust	Employee Benefits	Van Meter Firefighters Association	VM Community Betterment
Receipts:				
Property tax	\$ -	86,774	-	-
Other city tax	-	-	-	-
Licenses and permits	-	-	-	7,053
Use of money and property	2	-	10	-
Intergovernmental	-	-	-	887
Charges for service	-	-	-	-
Miscellaneous	9,892	3,854	6,078	27,494
Total receipts	9,894	90,628	6,088	35,434
Disbursements:				
Operating:				
Public safety	-	14,612	12,591	888
Public works	-	12,186	-	-
Culture and recreation	7,053	26,617	-	33,245
General government	-	9,222	-	-
Total disbursements	7,053	62,637	12,591	34,133
Excess (deficiency) of receipts over (under) disbursements	2,841	27,991	(6,503)	1,301
Other financing sources (uses):				
Transfers in	-	-	-	1,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	1,000
Change in cash balances	2,841	27,991	(6,503)	2,301
Cash balances beginning of year	25,252	57,940	22,699	506
Cash balances end of year	\$ 28,093	85,931	16,196	2,807
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for other purposes	28,093	85,931	16,196	2,807
Total cash basis fund balances	\$ 28,093	85,931	16,196	2,807

See accompanying independent auditor's report.

Library Trust	Emergency	Park Subdivision Trust	Local Option Sales Tax	Permanent Cemetery Perpetual Care	Total
-	7,011	-	-	-	93,785
-	-	-	90,412	-	90,412
-	-	-	-	-	7,053
2	-	-	-	-	14
5,129	-	-	-	-	6,016
-	-	-	-	150	150
287	-	90,380	-	3,000	140,985
5,418	7,011	90,380	90,412	3,150	338,415
-	-	-	-	-	28,091
-	-	-	-	-	12,186
66,579	-	-	36,618	-	170,112
-	-	-	-	-	9,222
66,579	-	-	36,618	-	219,611
(61,161)	7,011	90,380	53,794	3,150	118,804
56,149	-	-	-	-	57,149
-	(17,317)	-	-	-	(17,317)
56,149	(17,317)	-	-	-	39,832
(5,012)	(10,306)	90,380	53,794	3,150	158,636
19,363	13,564	-	-	11,900	151,224
14,351	3,258	90,380	53,794	15,050	309,860
-	-	-	-	15,050	15,050
14,351	3,258	90,380	53,794	-	294,810
14,351	3,258	90,380	53,794	15,050	309,860

City of Van Meter
Schedule of Indebtedness
Year ended June 30, 2014

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
Corporate purpose and refunding	Sep 9, 2013	1.00 - 4.75	995,000
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			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
230,000	-	230,000	-	2,940
195,000	-	30,000	165,000	7,700
255,000	-	10,000	245,000	11,400
-	995,000	60,000	935,000	19,245
\$ 680,000	995,000	330,000	1,345,000	41,285
130,000	-	130,000	-	1,449
70,000	-	70,000	-	783
\$ 200,000	-	200,000	-	2,232

Schedule 3

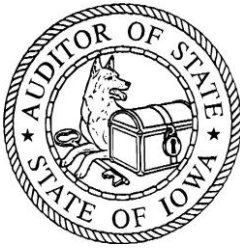
City of Van Meter

Bond Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bonds						
	Street Improvement		Water Improvement		Corporate Purpose and Refunding		Total
	Issued Aug 27, 2008		Issued Aug 15, 2011		Issued Sep 9, 2013		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2015	3.60%	\$ 30,000	4.00%	\$ 10,000	1.00%	\$ 65,000	105,000
2016	4.00	30,000	4.00	10,000	1.50	65,000	105,000
2017	4.00	35,000	4.00	10,000	1.50	60,000	105,000
2018	4.20	35,000	4.00	10,000	2.00	90,000	135,000
2019	4.20	35,000	4.00	10,000	2.00	45,000	90,000
2020		-	4.00	10,000	3.00	45,000	55,000
2021		-	4.00	10,000	3.00	45,000	55,000
2022		-	4.00	15,000	3.00	45,000	60,000
2023		-	4.75	15,000	3.50	50,000	65,000
2024		-	4.75	15,000	3.50	50,000	65,000
2025		-	4.75	15,000	4.00	55,000	70,000
2026		-	4.75	15,000	4.00	50,000	65,000
2027		-	4.75	20,000	4.00	35,000	55,000
2028		-	4.75	20,000	4.50	35,000	55,000
2029		-	4.75	20,000	4.50	35,000	55,000
2030		-	4.75	20,000	4.50	40,000	60,000
2031		-	4.75	20,000	4.75	40,000	60,000
2032		-		-	4.75	40,000	40,000
2033		-		-	4.75	45,000	45,000
Total		<u>\$ 165,000</u>		<u>\$ 245,000</u>		<u>\$ 935,000</u>	<u>1,345,000</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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Mary Mosiman, 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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 12, 2015. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at June 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Van Meter's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Van Meter's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Van Meter's internal control.

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

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

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Van Meter's Responses to the Findings


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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 12, 2015

City of Van Meter

City of Van Meter
Schedule of Findings
Year ended June 30, 2014

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 number of individuals are responsible for the following areas:

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

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 – The City will utilize a Budget/Finance Committee of the City Council to review records in these areas.

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 – preparing and signing checks, 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 forwarded to the Firefighters Association for review and adoption.

Conclusion – Response accepted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2014

- (C) Utility Billings, Collections and Delinquent Accounts – The City does not have a written policy on writing off delinquent accounts. Also, utility billings, collections and delinquent accounts are not reviewed by an independent person.

Recommendation – Utility billings, collections and delinquent accounts should be reviewed by an independent person and written policies should be developed to cover writing off delinquent accounts.

Response – The City will utilize a Budget/Finance Committee of the City Council to review these records and to investigate and recommend policy alternatives to the City Council that cover write off of accounts.

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.
- 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 – The nature of our small staff and limited resources makes this difficult. However, the City will research policy alternatives for addressing the identified weaknesses.

Conclusion – Response accepted.

- (E) Transfers – The City transfers money to and from various funds periodically. However, one transfer was not 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 the approval and amount(s) as part of the minutes record.

Response – Prior to being recorded, all transfers will receive approval by a resolution of the City Council.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works, general government, capital projects, debt service and business type activities functions. In addition, disbursements exceeded the amounts budgeted in the culture and recreation and community and economic development functions 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 – The City Council reviews and approves all disbursements. In addition to that process, the City will amend the budget prior to making the disbursements.

Conclusion – Response accepted.

- (2) Questionable Disbursement – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Waste Connections of Iowa, Inc.	Late fee	\$ 87.55

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – The late fee was incurred during a time of staff training and development. The oversight is the result of a simple clerical error. Moving forward, staff will be more diligent in processing warrants to be paid.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Van Meter
 Schedule of Findings
 Year ended June 30, 2014

- (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	\$ 543
Dave Herman, Public Works Director, Brother owns Herman Welding	Repair and welding	600

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.

Two of four City Council meeting minutes selected for testing were not properly published in accordance with Chapter 372.13(6) of the Code of Iowa.

In addition, Chapter 380.7 of the Code of Iowa requires minutes to be properly signed. Minutes were not properly signed.

Recommendation – City Council meeting minutes should be properly published in accordance with Chapter 372.13(6) of the Code of Iowa. The minutes should also be signed per Chapter 380.7 of the Code of Iowa

Response – The meeting minutes were published in 18 days instead of the required 15 days. The error is the result of a limited staff balancing work-load with publication deadlines. Moving forward, the publication of meeting minutes will be prioritized accordingly. The meeting minutes are currently stored electronically. Moving forward, the minutes will be printed and filed with signatures.

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.
- (8) Financial Condition – The Debt Service fund had a deficit balance of \$1,032 at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate the deficit balance to return the fund to a sound financial position.

Response – In accordance with the debt issuance documents, the debt service payments are made using tax increment financing (TIF) receipts. Once a payment is made, the amount of TIF dollars necessary are transferred from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service fund. The deficit was corrected as soon as the City Council approved a resolution transferring money between funds.

Conclusion – Response accepted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2014

- (9) General Obligation Urban Renewal Tax Increment Financing Bonds – On the Annual Urban Renewal Report, TIF debt outstanding does not include the rebate agreement certified as TIF debt by the City.

Recommendation – On the Annual Urban Renewal Report, TIF Debt outstanding should include rebate agreements certified as TIF debt by the City. Controls should be in place to ensure accurate reporting of TIF debt.

Response – Rebate agreements will be included in the Annual Urban Renewal Report.

Conclusion – Response accepted.

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

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

Response – The City will give consideration to transferring the outstanding obligations to the Office of Treasurer of State.

Conclusion – Response acknowledged. The City should remit outstanding obligations over two years old to the Office of Treasurer of State as required by the Code of Iowa.

City of Van Meter

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Benjamin P. James, CPA, Staff Auditor
Melissa Knoll-Speer, Senior Auditor II
Melissa A. Hastert, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State